WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Audited Financial Statements
and Other Information

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

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LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Williamson County Hospital District
Franklin, Tennessee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Williamson County Hospital District (Williamson Medical Center) (the "Medical Center"), a component unit of Williamson County, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Williamson County Hospital District as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
September 25, 2015

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial performance of Williamson County Hospital District (Williamson Medical Center) (the Medical Center) for the fiscal years ended June 30, 2013 thru June 30, 2015. Please read this discussion in conjunction with the Medical Center's financial statements and accompanying footnotes.

USING THE ANNUAL FINANCIAL REPORT

The Medical Center is operated and maintained by Williamson County, Tennessee (the County). The County Commission adopted a resolution in 1992, in conjunction with acquiring title to the property and equipment of the District, giving the District complete authority and responsibility to manage and operate the Medical Center as provided in Chapter 107 of the Private Act of 1957 passed by the Tennessee legislature. For financial reporting purposes, the Medical Center is considered a component unit of the County.

The financial statements include the accounts and operations of the Medical Center, as well as those of the Williamson Medical Center Foundation, a discretely presented component unit. The Medical Center follows the accrual method of accounting. Revenues are recognized in the period earned; expenses are recorded at the time liabilities are incurred.

The financial statements consist of statements of net position, statements of revenue, expenses and changes in net position and statements of cash flows. The accompanying notes to the financial statements are an integral part of the financial statements and are essential to understanding the data contained in the financial statements. The balance sheets provide descriptions of the Medical Center's financial position. The statements of revenues, expenses and changes in net position report the revenues and expenses related to the Medical Center's activities.

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 makes the GASB Accounting Standards Codification the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position. GASB 62 and 63 were effective for periods beginning after December 15, 2011.

NOTEWORTHY FINANCIAL ACTIVITY

- Key measures of patient activity are noted below. Admissions increased by 801 or 8.2% over the prior year. Patient days increased by 1,882 or 5.5%. The difference in these two percentages support a drop in length of stay by .1 from the prior year. Equivalent patient days which is a method of measuring outpatient activity increased by 5,994 or 7.3% over the prior fiscal year. Surgeries remained constant compared to the prior year. Emergency Room visits increased by 2,568 or 7.4% and births were up by 111 or 6.8%.

	Year Ended June 30,		
	2015	**2014**	**2013**
Admissions	10,533	9,732	9,563
Patient Days	35,988	34,106	35,239
Length of Stay	3.4	3.5	3.6
Equivalent patient days	88,623	82,629	85,009
Surgeries	9,653	9,631	9,487
Emergency Room Visits	37,306	34,738	36,184
Births	1,752	1,641	1,521
Case mix index	1.25	1.34	1.23

- Payor mix is based on gross charges. Compared to 2014, minimal changes have occurred. Managed care increased 1.1%, Commercial decreased .9%, Blue Cross increased 1.3% and self-pay decreased .7%.

	Year ended June 30,		
	2015	2014	2013
Medicare	41.2%	41.5%	40.0%
Managed Care	15.0%	13.9%	10.7%
Commercial	6.4%	7.3%	10.1%
TennCare	5.1%	5.5%	5.8%
Self Pay	4.0%	4.7%	5.2%
Workers Comp	.8%	0.7%	0.7%
Blue Cross	27.4%	26.1%	27.4%
Medassist	.1%	0.3%	0.1%
	100.0%	100.0%	100.0%

BALANCE SHEET

	Year ended June 30,		
	2015	2014	2013
Assets:			
Current assets	$ 42,613,803	$ 38,133,162	$ 40,606,830
Property and equipment, net	181,461,928	133,175,579	117,155,268
Non-current assets limited as to use	28,027,601	71,069,595	45,647,226
Other non-current assets	15,071,038	14,261,783	8,447,387
Total assets	267,174,370	256,640,119	211,856,711
Deferred outflows of resources – excess consideration provided by acquisition	1,732,362	1,732,362	1,732,362
Liabilities:			
Current liabilities	23,881,131	24,922,018	23,775,545
Bonds, notes payable and obligations under capital lease, excluding current portion	63,017,057	67,509,853	30,105,404
Total liabilities	86,898,188	92,431,871	53,880,949
Net position:			
Net investment in capital assets	111,033,345	58,386,762	76,910,033
Restricted expendable net assets	3,022,541	1,876,561	909,690
Unrestricted	67,952,658	105,677,287	81,888,401
Total net position	$182,008,544	$165,940,610	$159,708,124

As of June 30, 2015 the Medical Center's current assets of $42.6 million were sufficient to cover current liabilities of $23.8 million (current ratio of 1.8 compared to 1.5 in the prior year). The Debt Service Coverage Ratio for June 30, 2015 was at 2.8 compared to 2.7 for June 30, 2014. Day's cash on hand was 109.1 at June 30, 2015 versus 138.7 at June 30, 2014, a decrease of 21.4%. The decrease in day's cash on hand is due to partial funding of the Pediatric Emergency room and inpatient wing with funds from operations.

OPERATING RESULTS AND CHANGES IN THE MEDICAL CENTER'S NET ASSETS

	Year ended June 30,		
	2015	2014	2013
Operating revenues:			
Net patient service revenue	$168,910,998	$156,083,037	$151,373,539
Contributions	1,471,291	1,132,168	135,180
Other operating revenue	3,952,059	4,245,355	5,161,038
Total operating revenues	174,334,348	161,460,560	156,669,757
Operating expenses:			
Salaries, wages and benefits	84,108,656	84,230,904	80,239,766
Supplies and other	66,485,470	63,502,613	59,942,575
Depreciation and amortization	10,682,803	10,663,947	10,974,242
Total operating expenses	161,276,929	158,397,464	151,156,583
Operating income	13,057,419	3,063,096	5,513,174
Non-operating revenue (expenses)			
Investment income	464,016	477,863	441,356
Interest expense	(1,270,929)	(1,238,212)	(1,406,939)
Income (loss) on investment in joint venture	1,299,933	1,466,983	4,699
Contributions received from Williamson County	1,943,624	1,943,624	1,943,624
Other, net	573,871	519,132	207,993
Non-operating revenue (expenses), net	3,010,515	3,169,390	1,190,733
Excess of revenues over expenses	16,067,934	6,232,486	6,703,907
Net position, beginning of year	165,940,610	159,708,124	153,004,217
Net position, end of year	$182,008,544	$165,940,610	$159,708,124

- Total operating revenues for 2015 are comprised of net patient service revenue ($169 million), contributions ($1.4 million) and other operating revenue ($3.9 million).

- Net operating revenue for fiscal year 2015 increased by $12.8 million or 8.0% from prior year. Net patient service revenue for 2015 represents 32.4% of gross service charges, down from 32.7% of gross charges in 2014. Contractual arrangements with third-party payors, bad debt and charity care account for the difference between gross service charges and net patient service revenue.

- Salaries, wages and benefits decreased by $122,248 or 0.15% over the prior fiscal year. The decrease was due to targeted merit increase freezes and managing to productivity benchmarks. The Full Time Equivalents (FTEs) were 1,140 and 1,182 in fiscal years 2015 and 2014, respectively. The salaries, wages and benefits expense accounted for 52.2% of the total operating expenses for 2015 as compared to 53.2% in 2014.

- Total operating expenses for 2015, including depreciation and amortization of $10.7 million, were $161.3 million, $2.9 million or 1.8% over the prior year. Salaries and depreciation varied only slightly. Supplies and other costs accounted for the majority of the $2.9 million increase.

THE MEDICAL CENTER'S CASH FLOWS

In the current fiscal year, a pediatric emergency room and children's inpatient wing were funded, as planned, with operating reserves from the hospital's funded deprecation account. This impacted the Day's Cash on Hand ratios. The 12 month average for fiscal year 2015 was 134.6 compared to 150.6 for 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2015, the Medical Center had $181.4 million invested in capital assets, net of accumulated depreciation as compared to $133.1 million in 2014. The net increase is a result the total assets purchased of $59.0 million and depreciation expense of $10.7 million.

REQUEST FOR INFORMATION

The Financial Statements and Management's Discussion and Analysis are designed to provide a summary and general overview of the Medical Center's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer of Williamson Medical Center at 4321 Carothers Parkway, Franklin, Tennessee 37067.

WILLIAMSON MEDICAL CENTER OFFICERS

Donald Webb, Chief Executive Officer
Paul Bolin, Chief Financial Officer
Julie Miller, Chief Operating Officer
Lori Orme, Chief Nursing Officer
Ashley Perkins, Associate Administrator-Nursing
Tim Burton, Associate Administrator-Operations
Phyllis Molyneux, Associate Administrator- Human Resources and Compliance
Starling Evins, MD, Chief Medical Officer

WILLIAMSON MEDICAL CENTER BOARD OF TRUSTEES

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position

June 30, 2015

	Primary Enterprise	Component Unit	Total Reporting Entity
Assets			
Current assets:			
Cash	$ 17,413,706	$ -	$ 17,413,706
Assets limited as to use by management for current liabilities	2,673,366	-	2,673,366
Patient accounts receivable, less allowance for uncollectible accounts of $8,633,182	18,338,160	-	18,338,160
Other receivables	207,779	345,505	553,284
Inventories	2,523,020	-	2,523,020
Prepaid expenses	1,112,267	-	1,112,267
Total current assets	42,268,298	345,505	42,613,803
Assets limited as to use, excluding assets required for current liabilities:			
By Board for capital improvements	26,403,462	-	26,403,462
By Board for bond principal and interest payments	2,673,366	-	2,673,366
By donors	-	1,624,139	1,624,139
Total assets limited as to use	29,076,828	1,624,139	30,700,967
Less: amount classified as current	(2,673,366)	-	(2,673,366)
	26,403,462	1,624,139	28,027,601
Property and equipment, net	181,461,928	-	181,461,928
Other assets:			
Other receivables, less current portion	15,055	1,007,556	1,022,611
Investment in joint ventures	13,956,759	-	13,956,759
Other	91,668	-	91,668
Total other assets	14,063,482	1,007,556	15,071,038
Total assets	264,197,170	2,977,200	267,174,370
Deferred outflows of resources - excess consideration provided for acquisition	1,732,362	-	1,732,362

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position, Continued

June 30, 2015

	Primary Enterprise	Component Unit	Total Reporting Entity
Liabilities			
Current liabilities:			
Accounts payable	6,368,556	-	6,368,556
Accrued payroll, compensated absences and payroll related liabilities	7,293,807	-	7,293,807
Accrued expenses and other liabilities	2,357,405	-	2,357,405
Accrued interest expense	294,716	-	294,716
Current portion of long-term debt	7,193,495	-	7,193,495
Current portion of capital lease obligations	218,031	-	218,031
Estimated third-party payor settlements	155,121	-	155,121
Total current liabilities	23,881,131	-	23,881,131
Long-term debt, excluding current portion	62,703,408	-	62,703,408
Capital lease obligations, excluding current portion	313,649	-	313,649
Total liabilities	86,898,188	-	86,898,188
Net Position			
Net position:			
Unrestricted:			
Net investment in capital assets	111,033,345	-	111,033,345
Unrestricted	67,952,658	-	67,952,658
Total unrestricted net position	178,986,003	-	178,986,003
Restricted - by donors	45,341	2,977,200	3,022,541
Total net position	$ 179,031,344	$ 2,977,200	$ 182,008,544

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position

June 30, 2014

	Primary Enterprise	Component Unit	Total Reporting Entity
Assets			
Current assets:			
Cash	$ 10,407,865	$ -	$ 10,407,865
Assets limited as to use by management for current liabilities	3,024,378	-	3,024,378
Patient accounts receivable, less allowance for uncollectible accounts of $7,287,991	18,342,212	-	18,342,212
Other receivables	1,178,422	190,000	1,368,422
Inventories	3,781,625	-	3,781,625
Prepaid expenses	1,208,660	-	1,208,660
Total current assets	37,943,162	190,000	38,133,162
Assets limited as to use, excluding assets required for current liabilities:			
By Board for capital improvements	70,118,352	-	70,118,352
By Board for bond principal and interest payments	3,024,378	-	3,024,378
By donors	-	951,243	951,243
Total assets limited as to use	73,142,730	951,243	74,093,973
Less: amount classified as current	(3,024,378)	-	(3,024,378)
	70,118,352	951,243	71,069,595
Property and equipment, net	133,175,579	-	133,175,579
Other assets:			
Other receivables, less current portion	52,694	690,000	742,694
Investment in joint ventures	13,417,236	-	13,417,236
Other	101,853	-	101,853
Total other assets	13,571,783	690,000	14,261,783
Total assets	254,808,876	1,831,243	256,640,119
Deferred outflows of resources - excess consideration provided for acquisition	1,732,362	-	1,732,362

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position, Continued

June 30, 2014

	Primary Enterprise	Component Unit	Total Reporting Entity
Liabilities			
Current liabilities:			
Accounts payable	8,241,594	-	8,241,594
Accrued payroll, compensated absences and payroll related liabilities	6,757,797	-	6,757,797
Accrued expenses and other liabilities	2,209,436	-	2,209,436
Accrued interest expense	309,227	-	309,227
Current portion of long-term debt	7,118,733	-	7,118,733
Current portion of capital lease obligations	160,231	-	160,231
Estimated third-party payor settlements	125,000	-	125,000
Total current liabilities	24,922,018	-	24,922,018
Long-term debt, excluding current portion	67,509,853	-	67,509,853
Total liabilities	92,431,871	-	92,431,871
Net Position			
Net position:			
Unrestricted:			
Net investment in capital assets	58,386,762	-	58,386,762
Unrestricted	105,677,287	-	105,677,287
Total unrestricted net position	164,064,049	-	164,064,049
Restricted - by donors	45,318	1,831,243	1,876,561
Total net position	$ 164,109,367	$ 1,831,243	$ 165,940,610

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

	Primary Enterprise	Component Unit	Total Reporting Entity
Operating revenue:			
Net patient service revenue, net of provision for bad debts of $13,171,452	$ 168,910,998	$ -	$ 168,910,998
Contributions	-	1,471,291	1,471,291
Other revenue	3,952,059	-	3,952,059
Total operating revenue	172,863,057	1,471,291	174,334,348
Operating expenses:			
Salaries and wages	71,013,902	-	71,013,902
Employee benefits	13,094,754	-	13,094,754
Supplies	38,248,339	-	38,248,339
Purchased services	7,696,240	-	7,696,240
Repairs and maintenance	5,225,965	-	5,225,965
Leases and rentals	1,797,675	-	1,797,675
Insurance	1,125,020	-	1,125,020
Depreciation and amortization	10,682,803	-	10,682,803
Other expenses	12,055,838	336,393	12,392,231
Total operating expenses	160,940,536	336,393	161,276,929
Operating income	11,922,521	1,134,898	13,057,419
Nonoperating income (expenses):			
Investment income	452,957	11,059	464,016
Interest expense	(1,270,929)	-	(1,270,929)
Equity in earnings of joint ventures	1,299,933	-	1,299,933
Contributions received from Williamson County	1,943,624	-	1,943,624
Other, net	573,871	-	573,871
Net nonoperating income	2,999,456	11,059	3,010,515
Excess of revenues over expenses	14,921,977	1,145,957	16,067,934
Net position at beginning of year	164,109,367	1,831,243	165,940,610
Net position at end of year	$ 179,031,344	$ 2,977,200	$ 182,008,544

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

	Primary Enterprise	Component Unit	Total Reporting Entity
Operating revenue:			
Net patient service revenue, net of provision for bad debts of $12,911,855	$ 156,083,037	$ -	$ 156,083,037
Contributions	-	1,132,168	1,132,168
Other revenue	4,245,355	-	4,245,355
Total operating revenue	160,328,392	1,132,168	161,460,560
Operating expenses:			
Salaries and wages	71,345,611	-	71,345,611
Employee benefits	12,885,293	-	12,885,293
Supplies	36,585,119	-	36,585,119
Purchased services	7,133,563	-	7,133,563
Repairs and maintenance	4,887,263	-	4,887,263
Leases and rentals	2,389,184	-	2,389,184
Insurance	1,172,687	-	1,172,687
Depreciation and amortization	10,663,947	-	10,663,947
Other expenses	11,087,051	247,746	11,334,797
Total operating expenses	158,149,718	247,746	158,397,464
Operating income	2,178,674	884,422	3,063,096
Nonoperating income (expenses):			
Investment income	394,173	83,690	477,863
Interest expense	(1,238,212)	-	(1,238,212)
Equity in earnings of joint ventures	1,466,983	-	1,466,983
Contributions received from Williamson County	1,943,624	-	1,943,624
Other, net	519,132	-	519,132
Net nonoperating income	3,085,700	83,690	3,169,390
Excess of revenues over expenses	5,264,374	968,112	6,232,486
Net position at beginning of year	158,844,993	863,131	159,708,124
Net position at end of year	$ 164,109,367	$ 1,831,243	$ 165,940,610

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows

Year ended June 30, 2015

	Primary Enterprise	Component Unit	Total Reporting Entity
Cash flows from operating activities:			
Receipts from and on behalf of patients	$ 168,945,171	$ -	$ 168,945,171
Receipts from other operations	2,982,703	998,230	3,980,933
Rent receipts	1,977,638	-	1,977,638
Payments to vendors for supplies and other	(67,819,148)	(336,393)	(68,155,541)
Payments to employees	(83,572,646)	-	(83,572,646)
Net cash provided by operating activities	22,513,718	661,837	23,175,555
Cash flows from noncapital financing activities:			
Contributions received from Williamson County	1,943,624	-	1,943,624
Net cash provided by noncapital financing activities	1,943,624	-	1,943,624
Cash flows from capital and related financing activities:			
Capital expenditures, net	(57,041,841)	-	(57,041,841)
Principal paid on long-term debt	(7,304,183)	-	(7,304,183)
Proceeds from issuance of debt	2,572,500	-	2,572,500
Repayment of capital lease obligations	(245,677)	-	(245,677)
Interest paid on long-term debt	(1,285,440)	-	(1,285,440)
Net cash used by capital and related financing activities	(63,304,641)	-	(63,304,641)
Cash flows from investing activities:			
Distributions from joint ventures	760,410	-	760,410
Investment income	452,957	11,059	464,016
Other, net	573,871	-	573,871
Purchase of investments	-	(7,485)	(7,485)
Net cash provided by investing activities	1,787,238	3,574	1,790,812
Net increase (decrease) in cash and cash equivalents	(37,060,061)	665,411	(36,394,650)
Cash and cash equivalents at beginning of year	83,550,595	131,200	83,681,795
Cash and cash equivalents at end of year	$ 46,490,534	$ 796,611	$ 47,287,145
Noncash transactions:			
Acquisition of property and equipment through exchange of inventory	$ 1,300,000	$ -	$ 1,300,000
Acquisition of property and equipment through capital lease	$ 617,126	$ -	$ 617,126

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows, Continued

Year ended June 30, 2015

	Primary Enterprise	Component Unit	Total Reporting Entity
Reconciliation of cash and cash equivalents to the balance sheets:			
Cash	$ 17,413,706	$ -	$ 17,413,706
Cash and cash equivalents included in assets limited as to use	29,076,828	796,611	29,873,439
Cash and cash equivalents	$ 46,490,534	$ 796,611	$ 47,287,145
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 11,922,521	$ 1,134,898	$ 13,057,419
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	10,682,803	-	10,682,803
Provision for bad debts	13,171,452	-	13,171,452
(Increase) decrease in operating assets:			
Patient accounts receivable, net	(13,167,400)	-	(13,167,400)
Other receivables	1,008,282	(473,061)	535,221
Inventory	(41,395)	-	(41,395)
Prepaid expenses	96,393	-	96,393
Increase (decrease) in operating liabilities:			
Accounts payable	(1,873,038)	-	(1,873,038)
Accrued payroll, compensated absences and payroll related liabilities	536,010	-	536,010
Accrued expenses and other liabilities	147,969	-	147,969
Estimated third-party payor settlements	30,121	-	30,121
Total adjustments	10,591,197	(473,061)	10,118,136
Net cash provided by operating activities	$ 22,513,718	$ 661,837	$ 23,175,555

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows

Year ended June 30, 2014

	Primary Enterprise	Component Unit	Total Reporting Entity
Cash flows from operating activities:			
Receipts from and on behalf of patients	$ 154,912,157	$ -	$ 154,912,157
Receipts from other operations	1,161,013	252,168	1,413,181
Rent receipts	2,131,489	-	2,131,489
Payments to vendors for supplies and other	(60,408,101)	(247,746)	(60,655,847)
Payments to employees	(84,118,721)	-	(84,118,721)
Net cash provided by operating activities	13,677,837	4,422	13,682,259
Cash flows from noncapital financing activities:			
Contributions received from Williamson County	1,943,624	-	1,943,624
Net cash provided by noncapital financing activities	1,943,624	-	1,943,624
Cash flows from capital and related financing activities:			
Capital expenditures, net	(26,674,073)	-	(26,674,073)
Principal paid on long-term debt	(5,890,434)	-	(5,890,434)
Proceeds from issuance of debt	40,775,000	-	40,775,000
Repayment of capital lease obligations	(340,984)	-	(340,984)
Interest paid on long-term debt	(1,048,783)	-	(1,048,783)
Net cash provided by capital and related financing activities	6,820,726	-	6,820,726
Cash flows from investing activities:			
Purchase of interest in joint venture	(4,500,000)	-	(4,500,000)
Distributions from joint ventures	709,697	-	709,697
Investment income	394,173	83,690	477,863
Other, net	519,132	-	519,132
Purchase of investments	-	(81,266)	(81,266)
Net cash provided (used) by investing activities	(2,876,998)	2,424	(2,874,574)
Net increase in cash and cash equivalents	19,565,189	6,846	19,572,035
Cash and cash equivalents at beginning of year	63,985,406	124,354	64,109,760
Cash and cash equivalents at end of year	$ 83,550,595	$ 131,200	$ 83,681,795

See accompanying notes to the financial statements.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows, Continued

Year ended June 30, 2014

	Primary Enterprise	Component Unit	Total Reporting Entity
Reconciliation of cash and cash equivalents to the balance sheets:			
Cash	$ 10,407,865	$ -	$ 10,407,865
Cash and cash equivalents included in assets limited as to use	73,142,730	131,200	73,273,930
Cash and cash equivalents	$ 83,550,595	$ 131,200	$ 83,681,795
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 2,178,674	$ 884,422	$ 3,063,096
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	10,663,947	-	10,663,947
Provision for bad debts	12,911,855	-	12,911,855
(Increase) decrease in operating assets:			
Patient accounts receivable, net	(14,057,735)	-	(14,057,735)
Other receivables	(952,853)	(880,000)	(1,832,853)
Inventories	(400,201)	-	(400,201)
Prepaid expenses	(483,761)	-	(483,761)
Increase (decrease) in operating liabilities:			
Accounts payable	3,946,756	-	3,946,756
Accrued payroll, compensated absences and payroll related liabilities	112,183	-	112,183
Accrued expenses and other liabilities	(216,028)	-	(216,028)
Estimated third-party payor settlements	(25,000)	-	(25,000)
Total adjustments	11,499,163	(880,000)	10,619,163
Net cash provided by operating activities	$ 13,677,837	$ 4,422	$ 13,682,259

See accompanying notes to the financial statements.

(1) Nature of operations

(a) Organization

Primary Enterprise: Williamson County Hospital District (the "District") operates under the name of Williamson Medical Center (the "Medical Center") and is a general short-term acute care hospital organized as a political subdivision of Williamson County, Tennessee (the "County"). The Medical Center constitutes a component unit of the County, which is considered the primary government unit. The County Commission adopted a resolution in 1992, in conjunction with acquiring title to the property and equipment of the District, giving the District complete authority and responsibility to manage and operate the Medical Center as provided in Chapter 107 of the Private Act of 1957 passed by the Tennessee legislature. The County is financially accountable as it appoints a voting majority of the District's Board of Trustees and the full faith and credit of the County is pledged for payment of principal and interest on the outstanding hospital revenue and tax bonds.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to citizens of Williamson County and surrounding areas. The Medical Center also provides ambulance services in Williamson County.

Discretely Presented Component Unit: Williamson Medical Center Foundation (the "Foundation") is a tax-exempt organization which was established in 2003. The Foundation was formed to coordinate the fund-raising and development activities of the Medical Center which is the sole member of the organization. The activities of the Foundation are reflected in the operating, nonoperating revenues (expenses) and capital grants and contributions as they relate to the Foundation in the accompanying statements of revenues, expenses, and changes in net position. All assets of the Foundation, other than unconditional promises to give, are shown as part of assets limited as to use in the accompanying statements of net position. No contributions to the Foundation were used for capital purposes, and thus all contributions during 2015 and 2014 were classified as operating activities.

The Medical Center follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. As a result, the Foundation is included in the accompanying financial statements as a discretely presented component unit of the Medical Center.

As required by accounting principles generally accepted in the United States of America, these financial statements present both Williamson Medical Center and its discretely presented component unit (collectively referred to as the reporting entity).

Financial statements for the discretely presented individual component unit may be obtained at the following address:

Williamson Medical Center
4321 Carothers Parkway
Franklin, TN 37067

(2) Summary of significant accounting policies

(a) Basis of presentation

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* GASB 62 makes the GASB *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011.

(b) Cash and cash equivalents

The Medical Center considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposits and overnight repurchase agreements which are insured by the Federal Deposit Insurance Corporation or are otherwise collateralized.

(c) Inventories

Inventories consist principally of medical and pharmaceutical supplies and are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

(d) Assets limited as to use

Assets limited as to use include cash and investments designated by the Board of Trustees for future capital improvements and debt repayment, over which the Board retains control and may at its discretion use for other purposes; cash and investments from County bond proceeds to be used for capital improvements; and restricted cash and investments from donors through the Foundation. Investments are reported at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

(e) Property and equipment

Property and equipment are recorded at cost. The Medical Center capitalizes purchases that cost a minimum of $5,000 and have a useful life greater than 2 years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 2-25 years; buildings generally 40 years; fixed equipment 5-20 years; and major movable equipment 3-20 years. Assets under capital leases are included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of maintenance and minor repairs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(f) Investment in joint ventures

Investment in joint ventures are accounted for under the equity method of accounting and the Medical Center recognizes its proportionate share in the results of the underlying activities of the joint ventures.

(g) Excess consideration provided for acquisition

The Medical Center evaluates excess consideration provided for acquisition for impairment on an annual basis or more frequently if impairment indicators arise. In the event excess consideration provided for acquisition is considered to be impaired, a charge to earnings would be recorded during the period in which management makes such impairment assessment.

(h) Accrual for compensated absences

The Medical Center recognizes an expense and accrues a liability for compensated future employee absences in the period in which employees' rights to such compensated absences are earned. Compensated absences consist of paid days off including holiday, vacation, sick and bereavement days to qualifying employees.

(i) Patient service revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including 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 final settlements are determined.

(j) Risk management

The Medical Center is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters. The Medical Center is self-insured for employee medical and other healthcare benefit claims and judgments as discussed in Note 15.

(k) Income taxes

The Medical Center is classified as an organization exempt from federal income taxes as it is a political subdivision of Williamson County. The Foundation is classified as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(l) Net position

The Medical Center's net position is classified in three components. The *net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. The *restricted net position* is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts related to County contributions and bond indebtedness restricted for specific purposes. The *unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets or restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. During 2014, $1,241 of net position was released from restrictions and reclassified from restricted to unrestricted. During 2015, restricted net position increased $23.

(m) Operating revenues and expenses

The Medical Center's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, the Medical Center's principal activity. Nonexchange revenues, including grants and contributions received by the Medical Center for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

(n) Charity care

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. These costs are estimated based on the ratio of total costs to gross charges. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.

(o) Contributed resources

The Medical Center receives grants from the County, as well as from individuals and private organizations through the Foundation. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts received by the Medical Center that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating income (expenses). Amounts received by the Foundation that are unrestricted or that are restricted for specific operating purposes are reported as operating revenues. Amounts restricted to capital acquisitions are reported as other increases in net position.

(p) Adoption of new accounting pronouncements

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore the Medical Center adopted this accounting standard at the beginning of fiscal year 2015. The adoption of this accounting standard changed the presentation of amounts previously reported as goodwill and other intangible assets on the statements of net position.

(q) New accounting pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and is effective for financial statements for fiscal years beginning after June 15, 2015. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement, which supersedes Statement No. 55, addresses how to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles, and is effective for financial statements for fiscal years beginning after June 15, 2015. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2016.

The Medical Center is currently assessing the impact of adopting these accounting standards.

(r) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Reclassifications

Certain reclassifications have been made to the 2014 financial statements in order for them to conform to the 2015 presentation. These reclassifications have no effect on the net position or the excess of revenues over expenses as previously reported.

(t) Performance indicator

Excess of revenues over expenses reflected in the accompanying statements of revenues, expenses and changes in net position is a performance indicator.

(u) Events occurring after reporting date

The Medical Center has evaluated events and transactions that occurred between June 30, 2015 and September 25, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Medical Center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2015 and 2014. All of the Medical Center's investments are classified as Level 1 under the hierarchy above.

(a) Financial assets

The carrying amount of financial assets, consisting of cash, accounts receivable, accounts payable, accrued expenses and current portions of long-term debt and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term debt and capital lease obligations are carried at amortized cost, which approximates fair value.

(b) Non-financial assets

The Medical Center's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Medical Center is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2015 and 2014, there were no triggering events that prompted an asset impairment test of the Medical Center's non-financial assets. Accordingly, the Medical Center did not measure any non-recurring, non-financial assets or recognize any amounts in earnings related to changes in fair value for non-financial assets for the years ended June 30, 2015 and 2014.

(4) Net patient service revenue

A significant portion of the amount of services provided by the Medical Center is to patients whose bills are paid by third-party payors such as Medicare, TennCare and private insurance carriers.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the statements of revenues, expenses and changes in net position is as follows:

	2015	2014
Gross patient service charges	$ 521,076,459	$ 477,340,939
Less: Medicare contractual adjustments	(157,133,224)	(144,882,435)
TennCare contractual adjustments	(22,312,352)	(22,432,357)
Other contractual adjustments	(158,682,007)	(139,640,330)
Bad debt	(13,171,452)	(12,911,855)
Charity Care	(866,426)	(1,390,925)
Net patient service revenue	$ 168,910,998	$ 156,083,037

Net patient accounts receivable consists of the following:

	2015	2014
Commercial and managed care plans	$ 11,432,851	$ 10,171,780
Medicare	3,557,829	4,667,986
TennCare	530,403	605,112
Patients, including self-insured	11,450,259	10,185,325
	26,971,342	25,630,203
Less: allowance for uncollectible accounts	(8,633,182)	(7,287,991)
	$ 18,338,160	$ 18,342,212

(5) Third-party reimbursement programs

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants.

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. In the opinion of management, any adjustments which may result from such audits and reviews will not have a material impact on the financial statements; however, due to the uncertainties involved, it is at least reasonably possible that management's estimates will change in the future. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

The Medical Center contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Net patient service revenue related to Medicare and TennCare was approximately $53,536,000 and $3,870,000, respectively, in 2015, and approximately $50,027,000 and $3,528,000, respectively, in 2014.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningful use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The Medical Center accrued income of $900,000 in 2014 relating to the Medicare meaningful use criteria. The $900,000 of accrued income is recorded in other receivables in the accompanying statement of net position. The Medical Center attested for these meaningful use funds during October 2014 and received an incentive payment of $1,277,953 in December 2014. There is $377,953 in income recorded in 2015 relating to the payment received in December 2014. The income is reported as other revenue on the accompanying statements of revenue, expenses and changes in net position. The Medical Center expects to attest for its third payment related to meaningful use during fiscal year 2016 and will record the related income during 2016. The Medical Center does not expect to receive any Medicaid EHR incentive payments.

(6) Assets limited as to use

Assets limited as to use consist of the following:

	2015	2014
Cash restricted by Board for capital improvements	$ 26,403,462	$ 70,118,352
Cash restricted by Board for bond principal and interest payments	2,673,366	3,024,378
Cash and cash equivalents restricted by donors	796,611	131,200
Investments restricted by donors	827,528	820,043
Assets limited as to use	$ 30,700,967	$ 74,093,973

Balances consist of cash and mutual funds at June 30, 2015 and 2014. The mutual funds are held by the Foundation, which is a discretely presented component unit of the Medical Center and a 501(c)(3) organization. Amounts are classified as noncurrent assets to the extent they are not expected to be used to satisfy current obligations.

Amounts classified as current assets will be used to make bond principal and interest payments.

All assets limited as to use relating to the primary enterprise at June 30, 2015 and 2014 are insured by the Federal Deposit Insurance Corporation, registered or otherwise collateralized by the financial institution through the State of Tennessee Collateral Bank Pool. See Note 15 for additional information related to the Medical Center's risks with respect to its investments.

(7) Property and equipment

The major classifications and changes in property and equipment as of and for the years ended June 30, 2015 and 2014 are as follows:

	Balance at June 30, 2014	Additions/ Transfers	Transfers/ Retirements	Balance at June 30, 2015
Land	$ 7,628,969	$ 2,483,171	$ -	$ 10,112,140
Land improvements	2,383,068	-	-	2,383,068
Building and fixed equipment	137,325,639	82,958	1,184,064	138,592,661
Equipment	84,291,756	5,957,763	1,067,571	91,317,090
Equipment under capitalized leases	14,621,390	617,126	-	15,238,516
	246,250,822	9,141,018	2,251,635	257,643,475
Less allowance for depreciation and amortization:				
Land improvements	2,277,931	26,567	-	2,304,498
Building and fixed equipment	47,746,300	4,377,220	-	52,123,520
Equipment	65,980,116	6,208,915	-	72,189,031
Equipment under capitalized leases	12,129,984	59,916	-	12,189,900
Total accumulated depreciation and amortization	128,134,331	10,672,618	-	138,806,949
	118,116,491	(1,531,600)	2,251,635	118,836,526
Construction in progress, net	15,059,088	49,817,949	(2,251,635)	62,625,402
	$ 133,175,579	$ 48,286,349	$ -	$ 181,461,928

	Balance at June 30, 2013	Additions/ Transfers	Transfers/ Retirements	Balance at June 30, 2014
Land	$ 7,449,198	$ 179,771	$ -	$ 7,628,969
Land improvements	2,383,068	-	-	2,383,068
Building and fixed equipment	132,300,829	5,024,810	-	137,325,639
Equipment	77,293,101	7,592,634	(593,979)	84,291,756
Equipment under capitalized leases	14,621,390	-	-	14,621,390
	234,047,586	12,797,215	(593,979)	246,250,822
Less allowance for depreciation and amortization:				
Land improvements	2,249,067	28,864	-	2,277,931
Building and fixed equipment	43,686,395	4,059,905	-	47,746,300
Equipment	60,764,844	5,809,251	(593,979)	65,980,116
Equipment under capitalized leases	11,374,242	755,742	-	12,129,984
Total accumulated depreciation and amortization	118,074,548	10,653,762	(593,979)	128,134,331
	115,973,038	2,143,453	-	118,116,491
Construction in progress, net	1,182,230	13,876,858	-	15,059,088
	$ 117,155,268	$ 16,020,311	$ -	$ 133,175,579

Substantially all of the construction in progress at June 30, 2015 relates to the Vanderbilt Pediatrics Hospital expansion that was completed and opened on July 1, 2015. The remaining construction in progress at June 30, 2015 consists primarily of various projects to renovate the leased office space on the fifth and sixth floors of the Medical Center, develop certain property and upgrade accounting software. Estimated costs to complete these projects amount to approximately $6,300,000 at June 30, 2015.

(8) Investment in joint ventures

The Medical Center has an investment in Shared Hospital Services, Inc. (S.H.S.) which provides laundry and linen services. This investment is in a joint venture in which the Medical Center owns approximately 7% at June 30, 2015 and 2014. Equity earnings are distributed based upon tons of laundry processed by S.H.S.

The Medical Center paid S.H.S. approximately $578,000 and $559,000 for laundry services for 2015 and 2014, respectively.

On June 30, 2013, the Medical Center purchased a 49% ownership interest in Vanderbilt Health and Williamson Medical Center Clinics and Services, LLC (VHWMCCS). VHWMCCS owns and operates two primary care, walk-in clinics located in Williamson County, Tennessee.

On July 31, 2013, the Medical Center purchased a 20% ownership interest in Williamson Imaging, LLC, doing business as Cool Springs Imaging, LLC for $4,500,000. In connection with this purchase and the purchase of the the 49% ownership interest in VHWMCCS discussed above, the Medical Center assumed a $6,700,000 note payable (see Note 10).

Summary information for the joint ventures as of June 30, 2015 and 2014 and for the years then ended, is as follows:

	2015 (Unaudited)	2014 (Unaudited)
Total assets	$ 19,351,708	$ 16,138,790
Total liabilities	$ 5,882,333	$ 4,036,981
Net revenues	$ 34,620,316	$ 30,639,269
Net earnings	$ 5,586,967	$ 5,019,802
Medical Center's interest:		
Investment in joint ventures	$ 13,956,759	$ 13,417,236
Equity in earnings of joint ventures	$ 1,299,933	$ 1,466,983

(9) Williamson County ambulance service

Pursuant to terms of an agreement with the County, which has been and may continue to be renewed annually upon agreement by both parties, the Medical Center controls and operates the Williamson County Ambulance Service. In accordance with this agreement, the County made unrestricted donations to the Medical Center of $1,943,624 in 2015 and 2014, which are included in nonoperating income in the accompanying statements of revenues, expenses and changes in net position. The agreement also provides for the Medical Center to return all related assets (as defined) of the ambulance service to the County at the end of the contract period. The net book value of assets related to the ambulance service was $1,747,184 and $1,653,910 at June 30, 2015 and 2014, respectively.

(10) Long-term debt

A schedule of changes in the Medical Center's long-term debt is as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts Due Within One Year
Hospital Revenue and Tax Bonds Series 2004B	$ 1,450,000	$ -	$ 700,000	$ 750,000	$ 750,000
Hospital Revenue and Tax Bonds Series 2004A	730,000	-	730,000	-	-
General Obligation Refunding Bonds, Series 2012A	17,780,000	-	120,000	17,660,000	915,000
3.09% Note payable to bank (one-month LIBOR + 2.9%)	2,450,000	-	1,400,000	1,050,000	1,050,000
3.005% Note payable to bank	5,299,563	-	525,651	4,773,912	543,844
2.70% Note payable to bank	4,019,342	-	223,658	3,795,684	231,330
2.46% Note payable to bank	5,534,225	-	1,302,128	4,232,097	1,336,745
4.50% Note payable to bank	1,026,216	-	219,482	806,734	211,349
1.44% Note payable to bank (one-month LIBOR + 1.25%)	6,403,166	-	915,000	5,488,166	915,000
General Obligation School and Public Improvement Bonds, Series 2013	27,790,000	-	885,000	26,905,000	915,000
Premium on Series 2013 Bonds	2,146,074	-	109,587	2,036,487	109,587
2.2% Note payable to bank	-	2,572,500	173,677	2,398,823	215,640
	$ 74,628,586	$ 2,572,500	$ 7,304,183	$ 69,896,903	$ 7,193,495

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due Within One Year
Hospital Revenue and Tax Bonds Series 2004B	$ 2,150,000	$ -	$ 700,000	$ 1,450,000	$ 700,000
Hospital Revenue and Tax Bonds Series 2004A	1,430,000	-	700,000	730,000	730,000
General Obligation Refunding Bonds Series 2012A	17,780,000	-	-	17,780,000	120,000
3.09% Note payable to bank (one-month LIBOR + 2.9%)	3,966,667	-	1,516,667	2,450,000	1,400,004
3.005% Note payable to bank	5,878,031	-	578,468	5,299,563	527,791
2.70% Note payable to bank	-	4,075,000	55,658	4,019,342	225,175
2.46% Note payable to bank	-	6,700,000	1,165,775	5,534,225	1,304,153
4.50% Note payable to bank	1,219,322	-	193,106	1,026,216	202,023
1.44% Note payable to bank (one-month LIBOR + 1.25%)	7,320,000	-	916,834	6,403,166	915,000
General Obligation School and Public Improvement Bonds, Series 2013	-	27,790,000	-	27,790,000	885,000
Premium on Series 2013 Bonds	-	2,210,000	63,926	2,146,074	109,587
	$ 39,744,020	$ 40,775,000	$ 5,890,434	$ 74,628,586	$ 7,118,733

On December 1, 2004, the County issued $15,110,000 in Hospital Revenue and Tax Bonds, Series 2004B (the Series 2004B Bonds) for the purpose of constructing improvements and renovations to and equipping of the Medical Center. Specifically, the 2004B Bonds were used for a multi-phase facility expansion and renovation project, which extended over several years and was substantially completed in 2007. The remaining Series 2004B Bonds bear interest at 4.000% and are due through May 1, 2016.

On June 1, 2004, the County issued $15,110,000 in Hospital Revenue and Tax Bonds, Series 2004A (the Series 2004A Bonds) for the purpose of constructing improvements and renovations to and equipping of the Medial Center. Specifically, the 2004A Bonds were also used for the multi-phase facility expansion and renovation project. The remaining Series 2004A Bonds bore interest at 4.125% became due and were paid on May 1, 2015.

In June 2012, the County issued $17,780,000 in General Obligation Refunding Bonds, Series 2012A (the Series 2012A Bonds) for the purpose of refunding a portion of the Series 2004B and 2004A Bonds ($8,790,000 of the Series 2004B Bonds and $8,990,000 of the Series 2004A Bonds). The Series 2012A Bonds bear interest at rates ranging from 2.000% to 4.000% and are due through May 1, 2025. The first principal payment was due May 1, 2015.

The Series 2004A, Series 2004B, and Series 2012A Bonds are collateralized by a pledge of the net revenues of the Medical Center and security interests in accounts receivable and certain other assets. In the event of a deficiency, the Bonds are payable from unlimited ad valorem taxes levied on all taxable property within the County. The trust indentures related to the Bonds contain certain covenants and restrictions, involving the issuance of additional debt and income available for debt service.

In November 2013, the County issued $30,000,000 in General Obligation School and Public Improvement Bonds, Series 2013 for the purpose of funding the Vanderbilt Pediatrics Clinic expansion project pursuant to a resolution of the County Commission. The bonds were issued at a premium resulting in future principal payments of $27,790,000. The bond premium in the amount of $2,210,000 is amortized as a reduction to interest expense over the term of the bonds. The Series 2013 Bonds bear interest at rates ranging from 3.0% to 5.0% and are due through May 1, 2034, with the first payment due May 2015.

The Medical Center also issues notes payable to finance certain property and equipment additions. The 3.09% note payable to bank represents amounts drawn under a $10,000,000 line of credit, which converted to a term loan on March 1, 2005, with monthly principal and interest payments based on a 20 year amortization, but maturing in March 2016. This loan is secured by a subordinated pledge of the Medical Center's net revenues and accounts receivable. The 3.005% note payable to bank represents amounts drawn under a $7,500,000 construction loan, which converted to a term loan on December 1, 2008 and was amended again in November 2013 to extend monthly principal and interest payments in the amount of $56,631 through November 2016. This loan is secured by security interests in accounts receivable, excluding Medicare payments. The 2.70% note payable to bank is payable in monthly amounts of principal and interest ranging from $18,716 to $19,871 through March 2017 with all outstanding principal and interest payments due in April 2017 and is secured by certain accounts receivable of the Medical Center. The 2.46% note payable to bank is payable in monthly amounts of principal and interest ranging from $103,306 to $112,660 through July 2016 with all outstanding principal and interest payments due in August 2016 and is secured by certain personal property of the Medical Center. The 4.50% note payable to bank is payable in monthly amounts of principal and interest of $20,390 through February 2019 and is secured by the Medical Center's deposit accounts and security interests in accounts receivable, excluding Medicare payments. The 1.44% note payable to bank was refinanced in July 2013 and bears interest at a variable rate based on the bank's index rate (LIBOR) plus 1.25%, is due in monthly installments of $76,250 plus interest through August 2016 and is secured by accounts receivable. The 2.2% note payable to bank is payable in monthly principal and interest payments of $23,902 based on a 20 year amortization, and matures on October 9, 2020. In November 2017, the interest rate will be adjusted to an annual rate equal to 1.3 basis points in excess of the weekly average yield on United States Treasury securities adjusted to a constant maturity of three years. The interest rate will never exceed 3% and all outstanding principal and interest is due on October 9, 2020. The loan is secured by the encumbering property.

The debt service requirements at June 30, 2015 related to long-term debt are as follows:

Year	Principal Maturities or Sinking Fund Requirements, net of Bond Premium	Interest
2016	$ 7,193,495	$ 2,142,000
2017	18,489,352	1,753,000
2018	3,377,143	1,494,000
2019	3,403,603	1,356,000
2020	3,391,683	1,221,000
2021 - 2025	17,667,051	4,091,000
2026 - 2030	8,447,934	1,932,000
2031 - 2034	7,926,642	376,000
	$ 69,896,903	$ 14,365,000

The Medical Center capitalized interest relating to construction projects in the amount of $1,076,000 and $667,000 in 2015 and 2014, respectively.

(11) Other receivables

Other current and long-term receivables at June 30, 2015 and 2014 include receivables from certain physicians, Medicare meaningful use funds and donors. Receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area amounted to $62,694 and $172,806 at June 30, 2015 and 2014, respectively. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments. There were no Medicare meaningful use funds as of June 30, 2015 in other receivables. Medicare meaningful use funds amounted to $900,000 at June 30, 2014 (see Note 5). Contributions receivable amounted to $1,353,061 and $880,000 at June 30, 2015 and 2014, respectively. The Foundation solicits pledges of support from board members and others for contributions to be used for specific purposes. The pledges are discounted when recorded to reflect the present value of expected future collections due after one year. Contributions receivable are reported as restricted net assets in the accompanying financial statements and are scheduled to be received as follows:

	2015	2014
Receivable in less than one year	$ 430,000	$ 250,000
Receivable in one to five years	1,467,000	1,000,000
	1,897,000	1,250,000
Less allowance for uncollectible pledges	(380,000)	(250,000)
Less discount	(163,939)	(120,000)
	$ 1,353,061	$ 880,000

(12) Employees' retirement plan

The Medical Center participates in a tax sheltered annuity program (the "Plan") for substantially all of its employees that have one or more years of service, more than one thousand scheduled hours, and have attained the age of 21. Benefits expense includes approximately $1,705,000 and $2,345,000 in 2015 and 2014, respectively, related to the Medical Center's share of expenses for contributions and service charges on tax-sheltered annuities for covered employees. The Medical Center's contribution percentage is 3% of covered wages for non-management employees, 7% for management employees and 10% for executives as of June 30, 2015. The Medical Center also matches employee contributions up to 2% of compensation. Employees may make voluntary contributions so long as the total amount contributed by the employee does not exceed 25% of the employee's wages or maximum amounts as provided by law. The Plan's investments at June 30, 2015 and 2014 consist of various mutual fund and fixed income investments.

(13) Functional expenses

The following is a summary of management's functional classification of operating expenses:

	2015	2014
Healthcare services	$ 92,523,155	$ 90,706,351
General and administrative	68,753,774	67,691,113
	$ 161,276,929	$ 158,397,464

(14) Leases

The Medical Center leases equipment and office space under capital and operating lease agreements. Future minimum lease payments under capital leases and noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2015 are as follows:

Year	Capital Leases	Operating Leases
2016	$ 231,655	$ 1,408,000
2017	212,760	1,212,000
2018	106,380	1,047,000
2019	-	924,000
2020	-	710,000
Total future minimum lease payments	550,795	$ 5,301,000
Less amounts representing interest	(19,115)	
Present value of net minimum lease payments	$ 531,680	

Lease expense for the years ended June 30, 2015 and 2014 was $1,797,675 and $2,389,184, respectively.

A schedule of changes in the Medical Center's capital leases is as follows:

	2015	2014
Balance at beginning of year	$ 160,231	$ 501,215
Additions	617,126	-
Reductions	(245,677)	(340,984)
Balance at end of year	531,680	160,231
Current portion of capital lease obligations	218,031	(160,231)
Capital lease obligations, excluding current portion	$ 313,649	$ -

The Medical Center generates rental income primarily from operating leases of two medical office buildings. Rental revenue was $1,977,638 and $2,131,489 in 2015 and 2014, respectively, and is included in other revenue.

Approximate future minimum rental revenue under noncancellable leases at June 30, 2015 is as follows:

Year	
2016	$ 1,431,000
2017	931,000
2018	360,000
2019	23,000
2020	23,000
	$ 2,768,000

Future minimum rental payments generally include minor annual increases for inflation.

(15) Commitments and contingencies

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of management and legal counsel, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act ($300,000 for bodily injury or death of any one person and $700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

The Medical Center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are $1,000,000 per claim and $3,000,000 in the aggregate annually with a deductible of $100,000 per claim. In addition, the Medical Center maintains an annual aggregate excess liability policy. Management intends to maintain such coverages in the future. During the past five fiscal years, no settlements of malpractice claims have exceeded insurance coverage limits.

There are known incidents occurring through June 30, 2015 that have resulted in the assertion of claims, although other claims may be asserted, arising from services provided to patients in the past. Management of the Medical Center is of the opinion that such liability, if any, related to these asserted claims will not have a material effect on the Medical Center's financial position. No amounts have been accrued for potential losses related to unreported incidents, or reported incidents which have not yet resulted in asserted claims as the Medical Center is not able to estimate such amounts.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and, most recently under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Recently the government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Medical Center is self-insured for medical and other healthcare benefits provided to its employees and their families. The Medical Center maintains reinsurance through a commercial excess coverage policy which covers annual individual employee claims paid in excess of $100,000 for the plan year. Contributions by the Medical Center and participating employees are based on actual claims experience. A provision for estimated incurred but not reported claims has been provided in the accompanying financial statements. Total expenses under this program amounted to approximately $9,136,000 and $8,893,000 for the years ended June 30, 2015 and 2014, respectively.

The Medical Center is exposed to risks related to its cash and investments, a portion of which is included in assets limited as to use, although certain risks such as credit risk are mitigated due to the Medical Center's practice of maintaining investments primarily in cash and cash equivalents. The Medical Center's investment policy includes certificates of deposit, bank demand and savings accounts, and investment vehicles of the United States Government. The Medical Center is subject to investment rate risk, the risk that changes in interest rates will adversely affect the fair value of an investment; however, the Medical Center's cash and investments are short-term in nature. The Medical Center's investment policy does not specifically address custodial credit risk, the risk that in the event of failure of a counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or any collateral securities that are in the possession of an outside party, or concentration of credit risk, the risk that the amount of investments the Medical Center has with any one issuer exceeds 5% of its total investment. Substantially all of the Medical Center's cash and assets limited as to use are with a financial institution.

Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statues and regulations. The Medical Center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. The Medical Center has not recorded any potential losses as of June 30, 2015; however, the amount of actual losses incurred could differ materially from this estimate.

In March 2010, the Patient Protection and Affordable Care Act was signed into law, along with the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). The passage of the Affordable Care Act has resulted in comprehensive reform legislation that is expected to expand health care coverage to millions of currently uninsured people beginning in 2014 and provide for significant changes to the U.S. health care system over the next ten years. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers, as well as certain other changes in Medicare payment methodologies. This comprehensive health care legislation provides for extensive future rulemaking by regulatory authorities, and also may be altered or amended.

Due to the complexity of the Affordable Care Act's laws, lack of current implementation regulations and interpretive guidance, and response by CMS and other participants in the health care industry to the choices available under the law, it is difficult for the Medical Center to predict the full impact of the law on the Medical Center's operations. Additionally, pending legislative proposals which may be adopted may affect the Medical Center. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act may materially impact the Medical Center through increased costs, decreased revenues, and additional exposure to potential liability.

LBMC MAKE A GOOD BUSINESS BETTER

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
Williamson County Hospital District
Franklin, Tennessee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Williamson County Hospital District (Williamson Medical Center) (the "Medical Center"), a component unit of Williamson County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center'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 Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center'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 would be 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 Medical Center'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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Brentwood, Tennessee
September 25, 2015