

Report on the

Macon County Healthcare Authority

Tuskegee, Alabama

October 1, 2016 through September 30, 2017

Filed: November 23, 2018



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the audit of Macon County Healthcare Authority, Tuskegee, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this
the 8th day of November, 20 18.

Kelly D. Matthews
Notary Public

Respectfully submitted,

Lynette Long
Lynette Long
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Macon County Healthcare Authority
October 1, 2016 through September 30, 2017**

The Macon County Healthcare Authority (the "Authority") is to promote the public health of the citizens of the County and is authorized to own and operate a health care facility to be utilized by all citizens of the County.

The Authority functions as an autonomous body with funds accumulated from the Charity Hospital fund, the donation from Liberty National Life Insurance Company, the Tree of Life (public donations), funding from the Macon County Occupational Tax and pari-mutuel tax. A Board of Directors, consisting of nine members, is the governing body of the Authority. Six members are appointed by the Macon County Commission, one member is appointed by the Board of Directors, one member is appointed by the 28th District Senator and one is appointed by the 82nd District Representative.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Authority complied with applicable laws and regulations. The audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129.

An unmodified opinion was issued on the basic financial statements, which means the Authority's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2017.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

There were no findings in the prior audit.

Establishing and maintaining an internal control structure is an important management responsibility. In order to provide reasonable assurance that an entity's objectives will be achieved, management should provide a strong internal control structure which requires the segregation of duties for certain financial transactions, such as authorization, processing and recording of financial data. However, the concept of reasonable assurance recognizes the cost of an entity's internal control structure should not exceed the benefits that are expected to be derived. There was a lack of proper segregation of duties of accounting personnel. However, the small size of the Authority's accounting office makes the achievement of proper segregation of duties impractical.

An exit conference was held with Bernice Frazier, Chairperson via teleconference. Lynette Long, Examiner, represented the Department of Examiners of Public Accounts.



Department of
Examiners of Public Accounts

COMMENTS

**Macon County Healthcare Authority
October 1, 2016 through September 30, 2017**

The Macon County Healthcare Authority (the "Authority") was established under the provisions of the *Code of Alabama 1975*, Section 22-21-310 through Section 22-21-359. Bylaws of the Authority state that there will be nine members: six members named by the Macon County Commission, one each to represent the four districts of the county and two at-large members named by the Chairman of the Commission; one at-large appointee by the Authority Board of Directors; one at-large appointee by the 28th District Senator and one at-large appointee by the 82nd District Representative. Directors elect, from their membership, a Chairperson, Vice-Chairperson, a Secretary and a Treasurer every two years.

The Authority functions as the primary healthcare agent of the Macon County Government and is authorized to own, acquire, construct, enlarge, maintain, furnish and operate a health care facility for the residents of Macon County.

The Authority receives revenue from Macon County Occupational Tax and pari-mutuel tax from Victoryland. Victoryland closed operations August, 2010 and reopened September, 2016.

On September 26, 2005, the Authority opened the Thomas Reed Ambulatory Care Center (TRACC). The Medical Center was constructed with the proceeds of the Series 2004 bonds issued by the Authority. The Center was designed to restore a strong healthcare presence in the community and make healthcare more accessible for the citizens of Macon County. TRACC was then owned and operated by the Authority. The clinic closed in December 2006 and was reopened by Community Hospital, Inc. of Tallassee, Alabama.

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Independent Auditor's Report

Independent Auditor's Report

Macon County Healthcare Authority Board of Directors
Tuskegee, Alabama 36083

Report on the Financial Statements

We have audited the accompanying basic financial statements of Macon County Healthcare Authority, as of and for the year ended September 30, 2017, as listed in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 basic financial statements are free of 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Macon County Healthcare Authority, as of September 30, 2017, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The Macon County Healthcare Authority has not presented a Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018, on our consideration of Macon County Healthcare Authority'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 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 Macon County Healthcare Authority's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 7, 2018

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Basic Financial Statements

Statement of Net Position
September 30, 2017

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 31,730.94
Deposit with Bond Trustee	573,674.63
Accounts Receivable	82,750.08
Employee Advance	15,000.00
Security Deposits	5,050.00
Bond Discount	8,141.09
Total Current Assets	716,346.74

Noncurrent Assets

Bond Discount	128,900.50
Capital Assets:	
Land	143,000.00
Buildings	3,312,110.64
Equipment	1,062,996.05
Less: Accumulated Depreciation	(1,789,031.20)
Total Capital Assets, Net of Depreciation	2,729,075.49
Total Noncurrent Assets	2,857,975.99
Total Assets	3,574,322.73

LIABILITIES

Current Liabilities

Accounts Payable	70,063.07
Accrued Interest Payable	13,543.75
Bonds Payable	85,000.00
Total Current Liabilities	168,606.82

Noncurrent Liabilities

Bonds Payable	1,200,000.00
Total Noncurrent Liabilities	1,200,000.00
Total Liabilities	\$ 1,368,606.82

The accompanying Notes to the Financial Statements are an integral part of this statement.

DEFERRED INFLOW OF RESOURCES

Related to Taxes Receivable \$ 82,750.08

NET POSITION

Net Investment in Capital Assets 1,530,901.81

Debt Service 253,244.73

Unrestricted 338,819.29

Total Net Position \$ 2,122,965.83

***Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2017***

OPERATING EXPENSES

Contract Labor	\$ 2,400.00
Insurance	1,740.52
Legal and Accounting	4,500.00
Supplies	447.81
Depreciation	149,086.00
Total Operating Expenses	<u>158,174.33</u>
Operating Income (Loss)	<u>(158,174.33)</u>

NONOPERATING REVENUES (EXPENSES)

Tax Revenue	262,963.31
Macon County Greyhound Park Revenue	50,000.50
Interest on Capital Asset Related Debt	(86,220.83)
Trustee Fees	(5,144.80)
Amortization Expense	(8,141.09)
Other Nonoperating Revenues/(Expenses)	(10,122.64)
Net Nonoperating Revenues (Expenses)	<u>203,334.45</u>
Changes in Net Position	45,160.12
Net Position - Beginning of Year	<u>2,077,805.71</u>
Net Position - End of Year	<u><u>\$ 2,122,965.83</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Contract Labor	\$ (2,400.00)
Insurance	(1,740.52)
Supplies	(447.81)
Legal and Accounting	(4,500.00)
Net Cash Provided (Used) by Operating Activities	<u>(9,088.33)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Tax Revenue	316,319.99
Greyhound Racing Park Revenue	50,000.50
Other	(10,122.64)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>356,197.85</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Paid on Capital Debt	(88,700.00)
Principal Paid on Capital Debt	(235,000.00)
Trustee Fee	6,151.17
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(317,548.83)</u>

Net Increase (Decrease) in Cash	29,560.69
Cash - Beginning of Year	<u>2,170.25</u>
Cash - End of Year	<u><u>31,730.94</u></u>

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	(158,174.33)
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Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense	<u>149,086.00</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (9,088.33)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Macon County Healthcare Authority (the “Authority”) was established under the provisions of the *Code of Alabama 1975*, Section 22-21-310 through Section 22-21-359. Bylaws of the Authority state that there will be nine members: six members named by the Macon County Commission, one each to represent the four districts of the county and two at-large members named by the Chairman of the Commission; one at-large appointee by the Authority Board of Directors; one at-large appointee by the 28th District Senator and one at-large appointee by the 82nd District Representative. Directors elect, from their membership, a Chairperson, Vice-Chairperson, a Secretary and a Treasurer every two years. The business affairs of the Authority are conducted by the Board of Directors. The Authority is to promote the public health of the citizens of the County and authorized to own and operate a health care facility to be utilized by all citizens of the County.

Although the Authority is appointed by the Macon County Commission, the County does not impose will or have a financial benefit or burden relationship with the Authority. Therefore, the Commission is not financially accountable for the Authority and the Authority is not considered part of the Commission’s financial reporting entity. The Authority is considered a related organization of the County Commission.

On September 26, 2005, the Authority opened the Thomas Reed Ambulatory Care Center (TRACC). The Medical Center was constructed with the proceeds of the Series 2004 bonds issued by the Authority. The Center was designed to restore a strong healthcare presence in the community and make healthcare more accessible for the citizens of Macon County. TRACC is owned and operated by the Authority. The clinic closed in December 2006 and was reopened in August 2008 by Community Hospital, Inc. of Tallassee, Alabama.

Notes to the Financial Statements
For the Year Ended September 30, 2017

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are maintained and presented based upon the accrual basis of accounting.

The preparation of 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.

When the Authority has both restricted and unrestricted resources available to finance a particular program; it is the Authority's policy to use restricted resources before unrestricted resources.

The 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 health care services, the Authority's principal activity. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Authority's principal activities, such as taxes, grants and contributions received for purposes other than capital asset acquisition. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Deposits

Cash and cash equivalents include cash on hand and demand deposits.

2. Receivables

Accounts receivable relate to amounts due for grants, patient service revenues and tax revenue. The receivables are shown net of allowance for doubtful accounts.

Notes to the Financial Statements
For the Year Ended September 30, 2017

3. Capital Assets

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (an entry price). Land and Construction in Progress are the only capital assets that are not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	40 years
Equipment	Straight-Line	15 years

4. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

5. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Notes to the Financial Statements

For the Year Ended September 30, 2017

6. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

7. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted:**
 - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the Authority.

 - ✓ **Expendable** – Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time.

- ◆ **Unrestricted** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of the Authority.

Notes to the Financial Statements

For the Year Ended September 30, 2017

8. Revenue Sources

The Board received approximately 95 percent of its financial support in 2017 from occupational taxes and pari-mutuel taxes. Victoryland closed operations in October 2010 and reopened in September 2016.

Occupational taxes of 1% of the first \$40,000 of annual gross wages of any person who performs a trade, occupation or profession in the county are remitted to the County Revenue Commissioner. If persons subject to the tax earn gross receipts of less than \$40,000 shall pay only \$400.00 as a tax. The tax is collected and paid on a monthly or quarterly basis and does not apply to persons over the age of 65 who are not gainfully employed or to domestic servants employed in private homes. Fifty percent of the revenues from the occupational tax, less the County's five percent collection fee, are distributed to the Healthcare Authority. Additionally, the Authority receives 2% of the total Greyhound Racing Tax on a quarterly basis.

Note 2 – Deposits

The Authority's deposits at year-end were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

For the Authority Trustee that Holds Bond Funds

The Statement of Net Position Deposit with Trustee classification consists of accounts administered by a bond trustee. At September 30, 2017, the Authority had \$573,674.63 in accounts administered by its bond trustee. In accordance with the covenant of the Authority's Revenue Bonds, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the trustee invests exclusively in U. S. Treasury securities, issued and guaranteed as to the timely payment of principal and interest by the U. S. Government.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 3 – Accounts Receivable

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable</u>	
Patient Receivables	\$ 49,087.67
Occupational Taxes	82,750.08
Less: Allowance for Doubtful Accounts	(49,087.67)
Total Receivables (Net)	<u>\$ 82,750.08</u>

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 143,000.00	\$	\$	\$ 143,000.00
Buildings	3,312,110.64			3,312,110.64
Equipment	994,246.05	68,750.00		1,062,996.05
Total	<u>4,449,356.69</u>	<u>68,750.00</u>		<u>4,518,106.69</u>
Less: Accumulated Depreciation				
Buildings	910,831.50	82,802.93		993,634.43
Equipment	729,113.70	66,283.07		795,396.77
Total Accumulated Depreciation	<u>1,639,945.20</u>	<u>149,086.00</u>		<u>1,789,031.20</u>
Capital Assets, Net	<u>\$2,809,411.49</u>	<u>\$ (80,336.00)</u>	\$	<u>\$2,729,075.49</u>

Note 5 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2017 for goods and services received prior to the end of the fiscal year.

Equipment	\$50,215.27
Contract Services	14,703.00
Trustee Fees	5,144.80
Total	<u>\$70,063.07</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 6 – Long-Term Liabilities

Long-term liabilities for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue Bonds	\$1,520,000.00	\$	\$235,000.00	\$1,285,000.00	\$85,000.00
Total Long-Term Liabilities	<u>\$1,520,000.00</u>	<u>\$</u>	<u>\$235,000.00</u>	<u>\$1,285,000.00</u>	<u>\$85,000.00</u>

Macon County Healthcare Authority Tax Revenue Bonds were issued August 1, 2004, by the Board to provide funds for construction of a community healthcare facility.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from occupational taxes sufficient to pay the annual debt service is pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 85,000.00	\$ 78,712.50	\$ 163,712.50
2018-2019	90,000.00	73,462.50	163,462.50
2019-2020	100,000.00	67,637.50	167,637.50
2020-2021	105,000.00	61,231.25	166,231.25
2021-2022	110,000.00	54,512.50	164,512.50
2022-2023	115,000.00	47,481.25	162,481.25
2023-2024	125,000.00	39,981.25	164,981.25
2024-2025	130,000.00	31,850.00	161,850.00
2025-2026	140,000.00	23,075.00	163,075.00
2026-2027	150,000.00	13,650.00	163,650.00
2027-2028	135,000.00	4,387.50	139,387.50
Total	<u>\$1,285,000.00</u>	<u>\$495,981.25</u>	<u>\$1,780,981.25</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

The Authority incurred bond discounts in connection with the issuance of its 2004 Series Tax Revenue Bonds. The bond discounts are being amortized using the straight-line method over the life of the bonds.

	Discounts
Total Bond Discounts	\$244,232.60
Amount Amortized – Prior Years	99,049.92
Sub-Total Bond Discounts	145,182.68
Amount Amortized – Current	8,141.09
Balance Bond Discounts	<u>\$137,041.59</u>

Pledged Revenues

The Authority has pledged occupational and pari-mutuel tax revenue to repay \$3,250,000.00 in Tax Revenue Bond Series 2004 issued in August 2004, for the purpose of constructing, equipping and furnishing an Ambulatory Care Center in Tuskegee. Future revenues in the approximate amount of \$1,780,981.25 are pledged to repay the principal and interest on the bonds. During the 2017 fiscal year, pledged occupational and pari-mutuel tax revenue in the amount of \$345,713.39 was received. \$323,700.00 was used to pay principal and interest. These bonds are scheduled to mature in fiscal year 2028.

Note 7 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is self-insured for its buildings and contents. Commercial insurance coverage is purchased for claims arising from general liability.

Settled claims resulting from these risks have not exceeded the Authority’s coverage in any of the past three fiscal years.

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Additional Information

Board Members
October 1, 2016 through September 30, 2017

Members		Term Expires
Ms. Bernice L. Frazier	Chairperson	2019
Mr. Noah Hopkins	Vice-Chairperson	2017
Mr. Joe Ellis	Treasurer	2019
Ms. Annie Brown	Secretary	2017
Mrs. Debra Ellis		2017
Mr. Rufus Carson		2017
Mr. Benjamin Rackley		2017
Ms. Rhonda McCloud		2017
Ms. Kimberly Pointer		2022

***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***

Independent Auditor's Report

Macon County Healthcare Authority Board of Directors
Tuskegee, Alabama 36083

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of Macon County Healthcare Authority as of and for the year ended September 30, 2017, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 7, 2018.

Internal Control Over Financial Reporting

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

***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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macon County Healthcare Authority'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 7, 2018