

**MARION COUNTY HEALTH CARE AUTHORITY**

**HAMILTON, ALABAMA**

**AUDIT REPORT**

**JUNE 30, 2018**

**WAYNE L. RIGGS, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
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**Marion County Health Care Authority**

**Hamilton, Alabama**

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March 29, 2019

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Marion County Health Care Authority  
Hamilton, Alabama

**Report on the Financial Statements**

We have audited the accompanying financial statements of Marion County Health Care Authority as of and for the year ended June 30, 2018, and the notes to the financial statements, as listed in the table of contents as pages 1 through 7.

**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 an audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial statements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Marion County Health Care Authority as of June 30, 2018, and its changes in financial position, including cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

The Marion County Health Care 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 March 29, 2019, on our consideration of Marion County Health Care Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Marion County Health Care Authority's internal control over financial reporting and compliance.



Wayne L. Riggs, P.C.  
Certified Public Accountants  
Hamilton, Alabama

**Marion County Health Care Authority**  
**Statement of Net Position**  
**June 30, 2018**

<b>Assets</b>	
<b>Current assets:</b>	
Cash	\$ 30,847.64
Interest receivable	<u>1,504.03</u>
Total current assets	<u>32,351.67</u>
<b>Other assets:</b>	
Investments	267,726.36
Land for Investment	<u>200,000.00</u>
Total other assets	<u>467,726.36</u>
Total assets	<u><u>\$ 500,078.03</u></u>
<b>Liabilities and net position</b>	
<b>Liabilities:</b>	
Accounts payable	<u>0.00</u>
Total liabilities	<u>0.00</u>
Total liabilities	0.00
Net Position - Unrestricted	<u>500,078.03</u>
Total liabilities and net position	<u><u>\$ 500,078.03</u></u>

**Marion County Health Care Authority**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2018**

Operating Revenues	
Contributions	\$ -
Total Operating Revenues	<u>-</u>
Operating Expenses	
Accounting Fees	1,307.75
Insurance and Fees	238.00
Supplies	902.67
Scholarships	1,000.00
Conferences, Conventions, and Meetings	562.28
Total Operating Expenses	<u>4,010.70</u>
Operating Income (Loss)	(4,010.70)
Non Operating Revenues	
Interest Income	2,045.14
Total Non Operating Revenues	<u>2,045.14</u>
Excess of expenses over revenues	(1,965.56)
Balance, beginning of year	502,043.59
Balance, end of year	<u><u>\$ 500,078.03</u></u>

**Marion County Health Care Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

Cash flows from operating activities:	
Receipts from donors	\$ -
Payments to suppliers	<u>(4,010.70)</u>
Net cash provided by operating activities	<u>(4,010.70)</u>
Cash flows from investing activities:	
Interest on checking	<u>54.06</u>
Net cash used by investing activities	<u>54.06</u>
Net increase (decrease) in cash and cash equivalents	(3,956.64)
Cash as of beginning of year	<u>34,804.28</u>
Cash as of end of year	<u><u>\$ 30,847.64</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (4,010.70)
Adjustments to reconcile operating income to net cash flows from operating activities:	
Accounts Payable	<u>0.00</u>
Net cash provided in operating activities	<u><u>\$ (4,010.70)</u></u>

**Marion County Health Care Authority**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1: Significant Accounting Policies**

**Organization** – The Marion County Health Care Authority was incorporated on April 27, 1993, under the Alabama Healthcare Authority Act of 1982 pursuant to the provisions of Act Number 22-21-310 as a public hospital corporation which was organized as an agency of Marion County, Alabama to acquire, construct, equip, operate, and maintain public hospital facilities. The governing board of directors of the Authority is elected by the governing board of the County. The Authority operated an acute care hospital and nursing home in Hamilton, Alabama prior to April 1, 1995 at which time the facility was leased to another party. The hospital is currently under a sales contract (see note 2). These financial statements contain the Authority's remaining operations after the lease and sales contract of the Hospital.

**Proprietary Fund Accounting** – The Authority utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

**Tax Status** – As a governmental unit, the Authority is exempt from federal and state income taxes.

**Cash and Cash Equivalents** – Cash and cash equivalents include investments in highly liquid assets with an original maturity of three months or less.

**Deposits** – First National Bank of Hamilton, Alabama holds the demand deposit account (cash) for the Authority. The bank does participate in 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 the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. Public hospitals incorporated as public bodies (corporations) under the *Code of Alabama 1975, 22-21-1 et seq.*, are subject to the provisions of the Security for Alabama Funds Enhancement (SAFE) Act.

**Investments** – The investments for the Authority are two certificate of deposits for \$176,835.71 and \$90,890.65 (FMV). The \$176,835.71 certificate bears a .50% interest rate and is paid annually. The \$90,890.65 certificate bears a 1.00% interest rate and is paid annually. The accrued interest at 6/30/18 was \$1,504.03.

**Land** – 13.8 acres of land that joins the Hospital was purchased during fiscal year 2018 for \$200,000.

**Use of Estimates** – 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Impairment of Long – Lived Assets** – The Authority recognizes impairment losses of long term assets by reducing the carrying amount of identified impairment assets to fair value. No impaired assets have been identified by management.

**Note 2: Sale of Authority Assets**

Marion County Health Care Authority signed a real estate sales contract with Marion Regional Medical Center, Inc. as purchaser and North Mississippi Health Services, Inc. as guarantor effective October 2, 2000. The contract transfers all of the Authorities assets to Marion Regional Medical Center, Inc. As consideration for this contract, the purchaser paid \$1.00, assumed certain contracts, and agreed to the following covenants and agreements: purchasers permitted use of the real property, sellers option to repurchase real property if certain conditions are not met, purchasers annual contribution for community care, purchasers obligation to make capital improvements, appointment of seller representative to purchaser’s board of directors, and indemnification. Under the above sales contract Marion Regional Medical Center, Inc. was to pay the Authority \$43,000 a year commencing on April 1, 2001 and ending on April 1, 2010. This was the only source of income for the authority except for interest income. The sum of \$43,000 was for the Authority to promote health care in Marion County, Alabama. The Authority is expected to have limited ongoing operations in the future.

**Note 3: Related Party Transactions**

The Medical Center provides certain administrative services and limited office space at no cost to the Authority.

**Note 4: Subsequent Events**

In preparing the financial statements, management evaluated subsequent events through March 29, 2019, the date the financial statements were available to be issued.

**Additional Information  
(Unaudited)**

The Marion County Health Care Authority  
Board Members (Unaudited)  
June 30, 2018

<u>Name</u>	<u>Title</u>	<u>Address</u>
Kenneth Hammitte	Chairman	704 County Highway 1, Hamilton, AL 35570
Judith F. Wilson	Vice Chairman	268 Rosedale Circle, Hamilton, AL 35570
Bobby J. Wallace	Secretary- Treasurer	P.O. Box 1942, Hamilton, AL 35570
Al Tidwell	Member	P.O. Box 1596, Hamilton, AL 35570
Clyde S. Nix	Member	1610 Sentry Rd., Hamilton, AL 35570

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March 29, 2019

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Marion County Health Care Authority  
Hamilton, Alabama

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 Marion County Health Care Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Marion County Health Care Authority's basic financial statements, and have issued our report thereon dated March 29, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Marion County Health Care 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 Marion County Health Care Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marion County Health Care 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 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 Marion County Health Care Authority's financial statements are free from 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.



Wayne L. Riggs, P.C.  
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Hamilton, Alabama