

MARSHALL COUNTY HEALTH CARE AUTHORITY

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

SEPTEMBER 30, 2019

**MARSHALL COUNTY HEALTH CARE AUTHORITY
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SEPTEMBER 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marshall County Health Care Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Marshall County Health Care Authority (the Authority) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 the 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 financial position of Marshall County Health Care Authority as of September 30, 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, an integration agreement and lease agreement was entered into in which The Health Care Authority of the City of Huntsville assumed the day-to-day operations of the facilities owned by the Marshall County Health Care Authority effective October 1, 2018, and are now operated by HH Health System - Marshall, LLC, a component unit of The Health Care Authority of the City of Huntsville.

Other Matters*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

Warren Averett, LLC

Birmingham, Alabama
November 19, 2019

**MARSHALL COUNTY HEALTH CARE AUTHORITY
BALANCE SHEET
SEPTEMBER 30, 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 7,944,828
Debt service fund	75,393
Due from HH Health System - Marshall, LLC	278,739
Tax revenue receivable	<u>3,310,000</u>

Total current assets 11,608,960

HELD BY TRUSTEE UNDER BOND INDENTURES 2,422,222

TOTAL ASSETS 14,031,182

DEFERRED OUTFLOWS OF RESOURCES 738,750

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 14,769,932

See notes to the financial statements.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
BALANCE SHEET
SEPTEMBER 30, 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES	
Accrued interest payable	\$ 6,521
Current portion of long-term debt	<u>2,183,539</u>
Total current liabilities	2,190,060
UNEARNED RENT	39,000
LONG-TERM DEBT	<u>55,754,864</u>
TOTAL LIABILITIES	57,983,924
DEFERRED INFLOWS OF RESOURCES	3,570,000
NET POSITION	
Net investment in capital assets	(54,777,431)
Restricted for debt service	75,393
Unrestricted	<u>7,918,046</u>
Total net position	<u>(46,783,992)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 14,769,932</u></u>

See notes to the financial statements.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

OPERATING REVENUES	
Rental income	<u>\$ 1,000</u>
Total operating revenues	1,000
OPERATING EXPENSES	
Employee health and welfare	14,874
Payroll processing fees	1,416
Bank fees	1,724
Travel and education	<u>23,782</u>
Total operating expenses	<u>41,796</u>
OPERATING LOSS	(40,796)
NONOPERATING REVENUES (EXPENSES)	
Interest income	187,627
Tax revenue	4,302,500
Interest and amortization expense	(1,652,352)
Donations	<u>(75,000)</u>
Total nonoperating revenues (expenses)	<u>2,762,775</u>
REVENUES IN EXCESS OF EXPENSES	2,721,979
TRANSFER OF NET POSITION (SEE NOTE 5)	<u>(175,762,821)</u>
CHANGE IN NET POSITION	(173,040,842)
NET POSITION AT BEGINNING OF YEAR	<u>126,256,850</u>
NET POSITION AT END OF YEAR	<u><u>\$ (46,783,992)</u></u>

See notes to the financial statements.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Rent income received	\$ 40,000
Payments to suppliers and others	<u>(331,704)</u>
Net cash used in operating activities	(291,704)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax receipts	4,322,500
Donations	<u>(75,000)</u>
Net cash provided by noncapital financing activities	4,247,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of long-term debt	(2,235,460)
Cash paid for interest	<u>(1,465,967)</u>
Net cash used in capital and related financing activities	<u>(3,701,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	187,627
Cash and cash equivalents transferred to HH Health System - Marshall, LLC	<u>(17,768,761)</u>
Net cash used by investing activities	<u>(17,581,134)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(17,326,765)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>27,769,208</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 10,442,443</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET	
Cash and cash equivalents	\$ 7,944,828
Held by trustees under bond indentures	2,422,222
Debt service fund	<u>75,393</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 10,442,443</u></u>

See notes to the financial statements.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (40,796)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in unearned rent	39,000
Change in due from HH Health System - Marshall, LLC	(278,739)
Change in other current liabilities	(11,169)
	(280,908)
Net cash used in operating activities	\$ (291,704)

**SUPPLEMENTAL DISCLOSURE OF NONCASH
INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets and (liabilities) transferred to HH Health System - Marshall, LLC excluding cash:	
Patient accounts receivable, net of estimated uncollectibles	\$ 15,251,495
Supplies inventory	2,374,395
Noncurrent cash and investments	66,638,667
Prepaid expenses	986,663
Interest receivable	506,686
Other current assets	95,739
Property and equipment, net	91,441,846
Notes receivable	775,397
Net pension asset	3,690,229
Equity investment	139,995
Deferred outflows of resources	124,324
Accounts payable	(4,893,475)
Salaries, wages, and related withholdings payable	(11,171,652)
Estimated third-party payor settlements	(1,907,412)
Accrued pension liability	(597,451)
Other current liabilities	(4,760,449)
Deferred inflows of resources	(700,937)
	\$ 157,994,060

See notes to the financial statements.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

1. THE REPORTING ENTITY

The Marshall County Health Care Authority (the Authority) is a public, nonprofit corporation originally created under Act No. 46 enacted at the 1949 Regular Session of the Legislature of Alabama (codified as Division One of Article Four of Chapter 21 of Title 22 of the Code of Alabama 1975), incorporated as the Marshall County Hospital Board under a Certificate of Incorporation approved by resolution of the County Commission of Marshall County, Alabama, adopted on February 20, 1950, and reincorporated as the Marshall County Health Care Authority pursuant to the provisions of Article 11 of Chapter 21 of Title 22 of the Code of Alabama 1975, as amended (the Act), pursuant to a Certificate of Reincorporation approved by resolution of the County Commission of Marshall County adopted on February 10, 1986, and filed with the Judge of Probate of Marshall County, Alabama on March 25, 1986. Under the provisions of the Act, the Authority is granted the power to acquire, construct, reconstruct, equip, enlarge, expand, alter, repair, improve, maintain, furnish and operate health care facilities; to mortgage, pledge or otherwise convey its property and its revenue from any source; to borrow money in order to provide funds for any of its lawful corporate functions and to issue and sell interest-bearing securities as provided in the Act; to pledge for the payment of any of its securities any revenues and to mortgage or pledge any or all of its health care facilities or other assets or properties of any parts thereof as security for the payment of the principal of and interest and premium, if any, on any securities so issued; to establish, collect and alter charges for services rendered and supplies furnished by it; and to enter into such contracts, agreements, leases and other instruments and to take such actions as may be necessary or convenient to accomplish any purpose for which the Authority was organized or to exercise any power granted to the Authority under the Act.

Effective October 1, 2018, the Authority entered into an integration agreement and lease agreement with The Health Care Authority of the City of Huntsville (see Note 5). As a result of the integration agreement and lease agreement, substantially all of the assets and liabilities utilized previously by the Authority in the operation of Marshall Medical Center North and Marshall Medical Center South (the Medical Centers) were transferred to HH Health System – Marshall, LLC, a component unit of The Health Care Authority of the City of Huntsville.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Mission Statement

The Authority's purpose is to provide quality health care services in a professional, caring fashion that is responsive to the needs of patients, physicians, staff and community.

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 reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

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

Net Position

Net position of the Authority is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Authority, including amounts deposited with trustees as required by bond indentures, as discussed in Note 3. *Restricted nonexpendable net position* equals the principal portion of permanent endowments. The Authority does not have any restricted nonexpendable net position. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit accounts and short-term investments with original maturities of three months or less, excluding amounts held by trustee under bond indentures.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

At September 30, 2019, the Authority's deposits were held by financial institutions participating 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 failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of losses from debt refundings of \$738,750 at September 30, 2019. Losses from debt refundings are being amortized over the shorter of the remaining life of the refunded debt or the life of the new debt.

Deferred inflows of resources consist of resources associated with imposed nonexchange revenue transactions (i.e., ad valorem tax revenues) that are received or reported as a receivable before the period for which the property taxes are levied of \$3,570,000 at September 30, 2019.

Tax Revenue

The Authority receives the proceeds of certain ad valorem tax revenues. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires that the proceeds of taxes, such as those received by the Authority (referred to as imposed nonexchange revenue transactions), be recorded as assets by the recipient when an enforceable legal claim to the resources exists or the resources are received, whichever is first, and as revenue by the recipient in the period for which taxes are levied.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through November 19, 2019, the date the financial statements were issued.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. LONG-TERM DEBT

At September 30, 2019, long-term debt, including additions and reductions, consists of the following:

	<u>Balance at September 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2019</u>	<u>Amounts Due Within One Year</u>
Series 2006-A Hospital Revenue Bonds	\$ 2,761,439	\$ -	\$ 790,474	\$ 1,970,965	\$ 822,433
2016 Note Payable	57,412,424	-	1,444,986	55,967,438	1,361,106
Total bonds and note payable	<u>\$ 60,173,863</u>	<u>\$ -</u>	<u>\$ 2,235,460</u>	<u>\$ 57,938,403</u>	<u>\$ 2,183,539</u>

On December 14, 2006, the Authority issued the Marshall County Health Care Authority Series 2006-A Bonds (the 2006-A Bonds), dated December 1, 2006, as additional bonds under the 2002 bond indenture. The 2006-A Bonds are general obligation bonds, and the Authority's general credit is pledged to the payment of the bonds. The proceeds of the 2006-A Bonds were deposited with a trustee to be used to pay for the costs of acquiring and constructing capital improvements at the Authority's facilities. The 2006-A Bonds are due in monthly installments of \$73,819 beginning on March 1, 2007 through January 1, 2022, including interest at 3.97% per annum.

On November 3, 2016, the Authority refinanced the previously issued 2007-A Bonds, the 2012 Revenue Bonds, and the 2012 Tax Bonds into a \$60,100,000 note payable. The note carries an interest rate of 2.41% and is secured by a pledge of certain ad valorem tax proceeds. The note is due in monthly installments of principal and interest of \$234,634 beginning on December 1, 2016 through October 1, 2026, with a balloon payment of \$44,791,780 and all remaining unpaid interest due on November 1, 2026. The transaction resulted in a defeasance, and, accordingly, the debt proceeds and the liability of the 2007-A Bonds, the 2012 Revenue Bonds and 2012 Tax Bonds were removed from the accompanying financial statements. Additionally, the Authority paid cash in the amount of \$1,002,473 related to the refunding. A portion of the proceeds from the new debt and the monies paid by the Authority was placed with the bond trustee until February 1, 2017, when the 2007-A Bonds were paid in full. The 2012 Revenue Bonds and the 2012 Tax Bonds were retired immediately after the issuance of the new debt. This transaction resulted in a loss, which, along with the remaining unamortized losses on previous refundings, is being amortized over the remaining life of the old debt or new debt, whichever is shorter, in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. The refunding decreased the Authority's payback of the refunded debt by 10.3 years and resulted in a decrease of total cash flows required to service the debt of approximately \$6,906,000 over the remaining life of the debt and an economic gain of approximately \$6,657,000.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. LONG-TERM DEBT – CONTINUED

Under the terms of bond indentures and note agreements, the Authority is required to maintain certain deposits with trustees or banks. Such deposits are included in debt service fund and held by trustee under bond indenture in the balance sheet. These funds consist of cash and cash equivalents, which are carried at cost which approximates fair value. The debt agreements also place requirements on the incurrence of additional borrowings and require that the Authority maintain certain financial covenants. As of September 30, 2019, the Authority was in compliance with these covenants.

Scheduled principal and interest repayments on long-term debt are as follows:

Year ending September 30:	Long-term Debt	
	Principal	Interest
2020	\$ 2,183,539	\$ 1,398,796
2021	2,371,950	1,329,475
2022	1,846,064	1,264,814
2023	1,591,065	1,224,541
2024	1,629,835	1,185,769
2025-2027	48,315,950	2,421,625
	\$ 57,938,403	\$ 8,825,020

4. RELATED PARTY TRANSACTIONS

Effective October 1, 2018 and in connection with the transaction described in Note 5 below, the Authority leased employees to HH Health System – Marshall, LLC, until December 31, 2018 with the lease agreement extending until January 31, 2019 for certain employees. Subsequent to the lease agreement, the employees became employees of HH Health System – Marshall, LLC. The fee for the leased employees over the term of the agreement was the actual cost of the leased employees which was \$21,345,149, and is not included in the accompanying statement of revenues, expenses, and changes in net position. The total amount remaining uncollected as of September 30, 2019, was \$278,739, which is included in the accompanying balance sheet as due from HH Health System – Marshall, LLC.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

5. INTEGRATION AGREEMENT AND LEASE AGREEMENT

Effective October 1, 2018, the Marshall County Health Care Authority entered into an integration agreement and lease agreement with The Health Care Authority of the City of Huntsville (Huntsville Hospital). The purpose of the integration agreement and lease agreement is to accomplish the highest quality of care for the citizens of Marshall County and surrounding communities and improve the overall efficiency and cost of clinical operations of the Medical Centers. The agreements call for the formation of an advisory board that is designated with certain powers during the term of the agreements. The agreements have initial terms of 40 years and may be extended by written amendment whereby discussion of such extension shall commence during the 35th year of the initial term of the agreements. Huntsville Hospital also committed to invest at least \$75 million in capital expenditures in the facilities formally operated by the Authority over the first five years of the term of the agreements plus 50% of any net income generated by operation of the facilities.

As part of the agreements, Huntsville Hospital leased the Medical Centers previously operated by the Authority for \$1,000 per year, which was paid in advance. During the year ended September 30, 2019, the Authority recognized \$1,000 in rental income related to the lease. The remaining \$39,000 is reflected as unearned rent in the accompanying September 30, 2019, balance sheet. In connection with the agreements, substantially all of the assets and liabilities of the Authority as of October 1, 2018, related to the operation of the Medical Centers were transferred to HH Health System - Marshall, LLC with the exception of \$10 million in cash, the outstanding bonds and note payable, and future tax revenues.

**MARSHALL COUNTY HEALTH CARE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

5. INTEGRATION AGREEMENT AND LEASE AGREEMENT - CONTINUED

The following assets and (liabilities) were transferred:

Cash and cash equivalents	\$ 2,794,472
Patient accounts receivable, net of estimated uncollectibles	15,251,495
Supplies Inventory	2,374,395
Noncurrent cash and investments	81,612,956
Prepaid expenses	986,663
Interest receivable	506,686
Other current assets	95,739
Property and equipment, net	91,441,846
Notes receivable	775,397
Net pension asset	3,690,229
Equity investment	139,995
Deferred outflows of resources	124,324
Accounts payable	(4,893,475)
Salaries, wages, and related withholdings payable	(11,171,652)
Estimated third-party payor settlements	(1,907,412)
Accrued pension liability	(597,451)
Other current liabilities	(4,760,449)
Deferred inflows of resources	<u>(700,937)</u>
Net position transferred	<u><u>\$ 175,762,821</u></u>

Net position transferred consists of the following components:

Net investment in capital assets	\$ 91,441,846
Restricted for pension plan	3,113,616
Unrestricted	<u>81,207,359</u>
Net position transferred	<u><u>\$ 175,762,821</u></u>

ADDITIONAL INFORMATION

**MARSHALL COUNTY HEALTH CARE AUTHORITY
MEMBERS OF THE AUTHORITY BOARD (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The following are members of the Marshall County Health Care Authority:

Name and Address	Position	Expiration of Term
Mr. Mike Alred 711 Gunter Avenue Guntersville, AL 35976	Chairman	April 1, 2022
Mrs. Nancy Stewart 1736 Grace Avenue Arab, AL 35016	Vice-Chairman	April 1, 2020
Mr. Pat Allen 3715 Turnpike Road Albertville, AL 35950	Secretary	April 1, 2024
Mr. Roy Rollings 4951 Spring Creek Drive Guntersville, AL 35976	Treasurer	April 1, 2024
Mr. Joe Abercrombie 1019 Highway 431 North Boaz, AL 35957	Member	April 1, 2024
Mr. Liles Burke 300 Dexter Avenue Montgomery, AL 36104	Member	April 1, 2022
Dr. Winter Wilson 55 Rowe Drive, Suite C Guntersville, AL 35976	Member	April 1, 2017*
Dr. Donald Slappey 99 Gaither Road Albertville, AL 35950	Member	April 1, 2017*
Mr. David Walker 6131 High Point Road Horton, AL 35980	Member	April 1, 2020
Mr. Stan Chaffin 1229 Oak Grove Road Horton, AL 35980	Member	April 1, 2022
Mr. Wayne Crews P. O. Box 633 Albertville, AL 35950	Member	April 1, 2020

* Serving until position is re-appointed

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

To the Board of Directors
Marshall County Health Care Authority

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 Marshall County Health Care Authority (the Authority) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 the 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.

Warren Averett, LLC

Birmingham, Alabama
November 19, 2019