

Report on the

Elmore County Healthcare Authority

Wetumpka, Alabama

October 1, 2019 through September 30, 2020

Filed: December 31, 2021



Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280

Montgomery, Alabama 36104-4338

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

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

Dear Madam:

An audit was conducted on the Elmore County Healthcare Authority, Wetumpka, Alabama, for the period October 1, 2019 through September 30, 2020. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Denise Clark-Owens
Examiner of Public Accounts

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SUMMARY

**Elmore County Healthcare Authority
October 1, 2019 through September 30, 2020**

The Elmore County Healthcare Authority (the “Authority”) was incorporated for the purpose of acquiring, operating and owning healthcare facilities for citizens of the county and service area. The Authority entered into an agreement with Ivy Creek of Elmore, LLC to lease Elmore Community Hospital for a period of five years. The Authority is responsible for substantial maintenance and replacement of worn, inoperable or obsolete hospital assets.

The Authority is publicly supported by ad valorem taxes levied annually on all taxable property. A Board of Directors consisting of nine members, seven of which are appointed by the Elmore County Commission and two elected by the Board of Directors, is the governing body of the Authority.

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.

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, 2020.

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

EXIT CONFERENCE

The following individuals were invited to an exit conference to discuss the results of this audit: Dr. Gerald Sweeney, Chairman of the Authority; Mark Baker, Treasurer of the Authority; along with Board of Directors: Samuel Turner, Dana Walters, Jason Britt, Lee Greer, Rocky Lyons, and Frank Barnett. The following individuals attended the exit conference by teleconference: Mark Baker, Treasurer of the Authority; along with Board of Directors: Jason Britt, Lee Greer, and Frank Barnett. Representatives from Jackson Thornton as requested by the Board of Directors: Daniel Thompson, CPA, Jake Studdard, CPA, and Tara Sides, Client Accountant. Representing the Examiners of Public Accounts were: Mistie Beam, Audit Manager; and Denise Owens, Examiner.



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COMMENTS

**Elmore County Healthcare Authority
October 1, 2019 through September 30, 2020**

The establishment of the Elmore County Hospital Board was approved by the Elmore County Commission on December 13, 1954. The Elmore County Hospital Board was reincorporated under the provisions of the *Code of Alabama 1975*, Sections 22-21-310 through 344 on September 30, 1985. The name of the corporation was amended to Elmore County Healthcare Authority. On February 18, 1993, the Authority's Articles of Incorporation were amended regarding the number of board members and length of term. The amendment changed the number of Authority board members to seven. An additional amendment was approved by the Board on December 10, 2019, changing the number of Board members to nine. Directors for seats 1, 3, 5, 6, 7, 8 and 9 shall be elected by the governing body of the County from a list of nominees proposed by the directors of the corporation with a minimum of three nominees submitted for consideration for each said seat. The directors for seat numbers 2 and 4 shall be elected by the Board of Directors of the Authority. Directors elect, from their membership, a Chairman, Vice-Chairman, and Secretary-Treasurer annually.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Board, Elmore County Healthcare Authority
Wetumpka, Alabama 36092

Report on the Financial Statements

We have audited the accompanying financial statements of Elmore County Healthcare Authority, as of and for the year ended September 30, 2020, and related notes to the financial statements, which collectively compromise Elmore County Healthcare 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 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 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 Elmore County Healthcare Authority, as of September 30, 2020, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

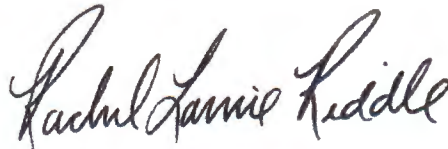
Other Matters

Required Supplementary Information

The Elmore County Healthcare Authority has omitted the management 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 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 December 10, 2021, on our consideration of Elmore 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 solely 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 effectiveness of Elmore County Healthcare Authority's 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 Elmore County Healthcare Authority's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

December 10, 2021

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Basic Financial Statements

Statement of Net Position
September 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 599,681.52
Investments	288,448.43
Deposit with Bond Trustee	13,348.43
Accounts Receivable	467,858.87
Note Receivable	4,382.64
Prepaid Expenses	306.75
Total Current Assets	<u>1,374,026.64</u>

Noncurrent Assets

Note Receivable	13,879.45
Capital Assets:	
Land	42,987.57
Improvements Other Than Buildings	90,520.65
Buildings	1,962,954.49
Building Improvements	9,764,103.67
Fixed Equipment	702,977.87
Moveable Equipment	387,446.25
Less: Accumulated Depreciation	<u>(6,421,634.75)</u>
Total Capital Assets, Net of Depreciation	<u>6,529,355.75</u>
Total Noncurrent Assets	<u>6,543,235.20</u>
Total Assets	<u>\$ 7,917,261.84</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable	\$	656.02
Loan Payable		10,041.82
Interest Payable		12,743.75
Bonds Payable		400,000.00
Total Current Liabilities		<u>423,441.59</u>

Noncurrent Liabilities

Bonds Payable		415,000.00
Total Noncurrent Liabilities		<u>415,000.00</u>

Total Liabilities		<u>838,441.59</u>
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DEFERRED INFLOW OF RESOURCES

Deferred Taxes		451,333.55
Total Deferred Inflow of Resources		<u>451,333.55</u>

NET POSITION

Net Investment in Capital Assets		5,714,355.75
Restricted for:		
Expendable:		
Debt Service		13,348.43
Unrestricted		<u>899,782.52</u>
Total Net Position	\$	<u>6,627,486.70</u>

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2020

OPERATING REVENUES

Rental Income	\$ 200,036.98
Total Operating Revenues	<u>200,036.98</u>

OPERATING EXPENSES

Legal and Accounting	27,471.75
Repair and Maintenance	12,265.86
Insurance - Property and Professional Liability	28,308.25
Depreciation	382,044.52
Other	1,399.35
Total Operating Expenses	<u>451,489.73</u>

Operating Income (Loss)	<u>(251,452.75)</u>
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NONOPERATING REVENUES (EXPENSES)

Tax Revenue	1,040,337.33
Insurance Proceeds	14,262.00
Interest Expense	(51,329.67)
Interest Income	3,203.84
Net Nonoperating Revenues	<u>1,006,473.50</u>
Change in Net Position	755,020.75
Net Position - Beginning of Year	<u>5,872,465.95</u>
Net Position - End of Year	<u>\$ 6,627,486.70</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Rental Income	\$ 200,036.98
Legal and Accounting	(26,833.00)
Repairs and Maintenance	(13,510.86)
Insurance	(28,615.00)
Other	(1,382.08)
Net Cash Provided (Used) by Operating Activities	<u>129,696.04</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Tax Revenue	1,038,675.44
Principal Received on Note Receivable	9,243.49
Interest Received on Note Receivable	15.46
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,047,934.39</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Paid on Bonds Payable	(390,000.00)
Interest Paid on Bonds Payable	(35,822.50)
Purchases of Capital Assets	(140,554.71)
Principle Paid on Line of Credit	(189,958.18)
Interest Paid on Line of Credit	(2,763.42)
Deposits Held with Trustee	6,131.01
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(752,967.80)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	3,188.38
Proceeds from Sale and Maturities of Investments	287,511.46
Insurance Proceeds	14,262.00
Purchase of Investments	(288,448.43)
Net Cash Provided (Used) by Investing Activities	<u>16,513.41</u>

Net Increase (Decrease) in Cash	441,176.04
Cash and Cash Equivalents - Beginning of Year	158,505.48
Cash and Cash Equivalents - End of Year	<u>\$ 599,681.52</u>

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

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

Operating Income (Loss) \$ (251,452.75)

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Depreciation 382,044.52

Changes in Assets and Liabilities:

(Increase)/Decrease in Prepaid Expenses (306.75)

Increase/(Decrease) in Accounts Payable (588.98)

Net Cash Provided (Used) by Operating Activities \$ 129,696.04

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Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

The financial statements of Elmore County Healthcare Authority (the “Authority”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

Reporting Entity

The establishment of the Elmore County Hospital Board was approved by the Elmore County Commission on December 13, 1954. The Elmore County Hospital Board was reincorporated under the provisions of the *Code of Alabama 1975*, Articles 22-21-310 through 344 on September 30, 1985. The name of the corporation was amended to Elmore County Healthcare Authority. On February 18, 1993, the Authority’s articles of incorporation were amended regarding the number of board members and length of term. The amendment changed the number of the Authority board members to seven. An additional amendment was approved by the board on December 10, 2019, changing the number of board members to nine. Directors for seats 1, 3, 5, 6, 7, 8, and 9 shall be elected by the governing body of the County from a list of nominees proposed by the directors of the corporation with a minimum of three nominees submitted for consideration for each said seat. The directors for seat numbers 2 and 4 shall be elected by the Board of Directors of the Authority. Directors elect, from their membership, a Chairman, Vice-Chairman, and Secretary-Treasurer annually. The Authority has entered into an agreement with Ivy Creek of Elmore, LLC to lease Elmore Community Hospital for a period of five years. The Authority is responsible for substantial maintenance and replacement of worn, inoperable, or obsolete hospital assets.

Related Organization

The County elects seven members of the Authority’s Board as described above. The County, however, is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) for the Authority and the Authority is not considered part of the County’s financial reporting entity. The Authority is considered a related organization of the County.

Tax Status

The Authority is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Capital Assets

The Authority's capital assets are reported at historical costs. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using straight line or the declining balance method of depreciation. The Authority uses guidelines set forth by the Internal Revenue Service to set estimated useful lives of capital assets.

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.

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 applicable bond.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Property Taxes

The Authority received approximately 75 percent of its financial support from property taxes. Property taxes are levied in February of each year based on the assessments for property as of the previous October 1. The taxes are due the following October 1 and are considered delinquent after December 31. In accordance with GASB Statement Number 33, an accounts receivable is recognized for the Authority's share of the taxes that will be collected and received by the Authority beginning in October of the subsequent fiscal year. Since the funds will not be available until the subsequent year, the estimated amount is shown as a receivable and deferred inflow in accordance with GASB Statement Number 65.

Restricted Resources

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.

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 net position may be designated for specific purposes by action of the Board.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Operating Revenues and Expenses

The Authority'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 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.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note 2 – Deposits and Investments

Deposits

The Authority's deposits at year-end were held by financial institutions that participate in the State of Alabama's Security for 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Investments

The Statement of Net Position investment classification consists entirely of non-negotiable certificates of deposits which are not subject to risk categorization because they are considered deposits for the purpose of this note.

As of September 30, 2020, the Authority had \$13,348.43 in accounts administered by its bond trustee.

The 2012 Tax Anticipation Bond Fund, in the amount of \$13,348.43, is invested in the Federated Treasury Obligation Number 398. This fund invests in treasury securities and repurchase agreements. This fund is rated AAAM by Standard and Poor's Index.

Note 3 – Capital Assets

Capital asset additions, retirements and balances for the year ended September 30, 2020, were as follows:

	Balance 09/30/2019	Additions	Deletions	Transfers	Balance 09/30/2020
Land	\$ 42,987.57	\$	\$	\$	\$ 42,987.57
Land Improvements	90,520.65				90,520.65
Buildings	1,962,954.49				1,962,954.49
Building Improvements	9,759,509.67	4,594.00			9,764,103.67
Fixed Equipment	652,172.61	50,805.26			702,977.87
Movable Equipment	387,446.25				387,446.25
Total	12,895,591.24	55,399.26			12,950,990.50
Less Accumulated Depreciation:					
Land Improvements	83,593.56	861.21			84,454.77
Buildings	1,465,058.18	22,833.64			1,487,891.82
Building Improvements	3,552,572.53	314,208.64			3,866,781.17
Fixed Equipment	563,495.81	35,396.07			598,891.88
Movable Equipment	374,870.15	8,744.96			383,615.11
Total Accumulated Depreciation	6,039,590.23	382,044.52			6,421,634.75
Capital Assets, Net	\$ 6,856,001.01	\$(326,645.26)	\$	\$	\$ 6,529,355.75

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 4 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
2012 Tax Anticipation	\$1,205,000.00	\$	\$390,000.00	\$815,000.00	\$400,000.00
Total Bonds	\$1,205,000.00	\$	\$390,000.00	\$815,000.00	\$400,000.00

Elmore County Healthcare Authority issued Tax Anticipation bonds in December of 2012 to refund outstanding bonds and to finance certain improvements. Revenue from ad valorem 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
2020-2021	\$400,000.00	\$19,487.50	\$419,487.50
2021-2022	415,000.00	6,743.75	421,743.75
Total	\$815,000.00	\$26,231.25	\$841,231.25

Note 5 – Short-Term Liabilities

On April 26, 2019, the Authority opened a line of credit in the amount of \$500,000 with an interest rate of 3.87% in order to complete the Fan Coil and Piping Contract as it applied to the Elmore Community Hospital. In the prior year, the Authority drew down \$200,000 from the line of credit. A balance of \$10,041.82 was still outstanding at year-end.

Note 6 – Pledged Revenues

On December 12, 2012, the Authority issued the Elmore County Healthcare Authority Hospital Tax Anticipation Bonds in the amount of \$3,500,000.00. The bonds were issued to refund the Authority’s Hospital Tax Anticipation Bonds, Series 1999 that had an outstanding balance of \$2,565,000.00 and to finance certain improvements to the Authority’s general acute care hospital located in Wetumpka, Alabama. The Authority pledged 75% of the proceeds from a special annual ad valorem tax to repay the December 2012 bonds. Future revenues in the amount of \$841,231.25 are pledged to repay principal and interest on the bonds at September 30, 2020. Special ad valorem taxes in the amount of \$1,040,337.33 were received during the fiscal year ended September 30, 2020, of which \$780,253.00 was pledged. Debt service on the 2012 bonds required \$425,822.50 or 55% of the pledged revenues. The bonds are scheduled to mature during the fiscal year ending September 30, 2022.

Additional Information

Board Members
October 1, 2019 through September 30, 2020

Board Members	Position	Term Expires
Jimmy Monk (Until 12/31/2019)	Chairman	2019
Earl Ryser (01/01/2020 – 02/11/2020)	Chairman	2020
Earl Ryser (Until 12/31/2019)	Vice-Chairman	
Dr. Gerald Sweeney (Beginning 02/11/2020)	Chairman	2022
Dr. Gerald Sweeney (Until 2/11/2020)	Member	
Rocky Lyons (Beginning 04/07/2020)	Vice-Chairman	2026
Rocky Lyons (01/01/2020 – 04/07/2020)	Member	2026
Daniel Thompson (Until 04/30/2020)	Treasurer	2020
Desirae Lewis	Secretary	2024
Lee Greer (Beginning 01/01/2020)	Member	2026
Frank Barnett (Beginning 01/01/2020)	Member	2026
Barney Thames	Member	2022
Samuel Turner	Member	2021

***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

Members of the Board, Elmore County Healthcare Authority
Wetumpka, Alabama 36092

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 Elmore County Healthcare Authority, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Elmore County Healthcare Authority's basic financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elmore County Healthcare Authority's internal control over financial reporting (internal control) as a basis for designing 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 Elmore County Healthcare Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Elmore 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 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.

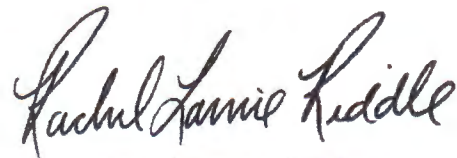
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elmore County Healthcare 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 financial statements. 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

December 10, 2021