

CARROLL COUNTY INDIGENT CARE BOARD
FINANCIAL STATEMENTS

June 30, 2012

CARROLL COUNTY INDIGENT CARE BOARD
TABLE OF CONTENTS
June 30, 2012

Introductory Section

Board of Trustees and Administrative Staff

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis.....	3

Basic Financial Statements

Statement of Fiduciary Net Assets	6
Statement of Changes in Fiduciary Net Assets	7
Note to Financial Statements.....	8

Internal Control and Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11
---	----

INTRODUCTORY SECTION

CARROLL COUNTY INDIGENT CARE BOARD

June 30, 2012

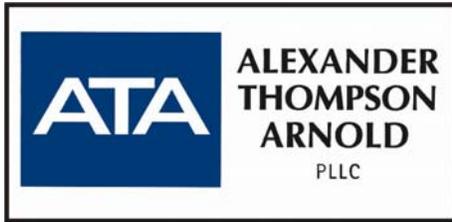
BOARD OF TRUSTEES

Marge Tucker, Chairman
John Mann, Vice Chairman
Billy Smith
Kemmie Warren
William Lee Smothers
Jane Williams
Sue Ann Lewis
Meredith Surber
Howell Todd

ADMINISTRATIVE STAFF

Susan Breeden, Administrator/CEO-Baptist Memorial Hospital
Melody Heyduck, Bookkeeper-Baptist Memorial Hospital
Mike Cary, President-Carroll Bank & Trust

FINANCIAL SECTION



Certified Public Accountants

www.atacpa.net

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

Members of

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Carroll County Indigent Care Board
Huntingdon, Tennessee

We have audited the accompanying financial statements of the Carroll County Indigent Care Board, a fiduciary fund of Carroll County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Board's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Carroll County Indigent Care Board and do not purport to, and do not, present fairly the financial position of Carroll County, Tennessee, as of June 30, 2012, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Carroll County Indigent Care Board, a fiduciary fund of Carroll County, Tennessee, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Carroll County Indigent Care Board

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2012, on our consideration of the Board'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

Alexander Thompson Arnold PLLC
McKenzie, Tennessee
September 18, 2012

**CARROLL COUNTY INDIGENT CARE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2012

Our discussion and analysis of Carroll County Indigent Care Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ending June 30, 2012. Please read it in conjunction with the Board's financial statements.

FINANCIAL HIGHLIGHTS

- During the fiscal year ended June 30, 2012, the Board had an increase in net assets of \$68,306.
- The Board's additions to fiduciary net assets of \$186,016 were an increase of 16.32% for the fiscal year ended June 30, 2012; its deductions of \$117,710 were a decrease of 1.61%.
- The Board incurred \$114,717 in indigent claims this year as compared to \$116,875, a decrease of approximately 1.85%. The Board is limited to paying claims at 80% of its available net earnings. Due to the stableness in interest rates and the investments over the past several years, the amount of claims paid this year only slightly varied from last year.
- The Board has total assets of \$3,283,007 as compared to last year's amount of \$3,213,682, an increase of \$69,325, or 2.16%.
- The Board has total liabilities of \$29,353 as compared to last year's amount of \$28,334, an increase of \$1,019, or 3.60%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of two statements: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

The Statement of Fiduciary Net Assets is summarized below:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 186,494	\$ 397,281
Other assets	3,096,513	2,816,401
Total assets	<u>3,283,007</u>	<u>3,213,682</u>
Current liabilities	<u>29,353</u>	<u>28,334</u>
Total liabilities	29,353	28,334
Net assets	<u>\$ 3,253,654</u>	<u>\$ 3,185,348</u>

**CARROLL COUNTY INDIGENT CARE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2012

The Statement of Changes in Fiduciary Net Assets is summarized below:

	<u>2012</u>	<u>2011</u>
Additions		
Interest income	\$ 147,679	\$ 147,533
Change in fair value	<u>38,337</u>	<u>12,388</u>
Total additions	<u>186,016</u>	<u>159,921</u>
Deductions		
Indigent care	114,714	116,875
Other deductions	<u>2,996</u>	<u>2,764</u>
Total deductions	<u>117,710</u>	<u>119,639</u>
Change in net assets	<u>\$ 68,306</u>	<u>\$ 40,282</u>

USING THESE ANNUAL FINANCIAL STATEMENTS

Carroll County Indigent Care Board is considered a fund of Carroll County, Tennessee. Carroll County is financially accountable for the Board. Therefore, Carroll County reports financial information regarding the Board in its annual report.

The Board is a private-purpose trust fund which uses the accrual method of accounting. The Board uses interest earnings from investments to pay indigent claims for Carroll County residents.

This annual report of the Carroll County Indigent Care Board consists of a series of financial statements. The statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets (on pages 6-7) provide information about the Board's operations. These statements include all assets and liabilities for the Board using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the Board's revenues and expenses for the year ended June 30, 2012 are taken into account regardless of when cash is received or paid.

The statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets report the Board's net assets and changes in them. The term "net assets" is the difference between assets and liabilities as of a certain point in time. The financial health, or financial position, of the Board can be measured in part by the amount of its net assets. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating.

**CARROLL COUNTY INDIGENT CARE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2012

BOARD DETAILS

As we previously stated, the Board's net assets increased by \$68,306 during the fiscal year ended June 30, 2012. The net assets held in trust for indigent care changed from \$3,185,348 at June 30, 2011 to \$3,253,654 at June 30, 2012.

Carroll County Indigent Care Board's investments are managed by Carroll Bank and Trust in Huntingdon, Tennessee. The Bank keeps track of all investments and reports the quarterly transactions to the Board at its quarterly board meetings. Prior to Carroll Bank, First Tennessee Bank managed the accounts. All but three of the accounts were transferred to Carroll Bank at the first of the last fiscal year. The banks, principally First Tennessee Bank, charged approximately \$158 or approximately 0.01% of the investment base, this year to manage this account.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Indigent Care Board's finances for citizens, taxpayers, patients, and all others with an interest in the Indigent Care Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the administrator or bookkeeper at Carroll County Indigent Care Board, 631 RB Wilson Drive, Huntingdon, TN 38344.

CARROLL COUNTY INDIGENT CARE BOARD
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

ASSETS

Current

Cash with trustee	\$ 173,486
Accrued interest receivable	12,191
Prepaid insurance	<u>817</u>

Total current assets 186,494

Other

Investments with trustee at fair value	<u>3,096,513</u>
--	------------------

Total assets 3,283,007

LIABILITIES

Current

Accrued indigent payments	<u>29,353</u>
---------------------------	---------------

Total liabilities 29,353

NET ASSETS

Held in trust for indigent care	<u>3,253,654</u>
---------------------------------	------------------

Total net assets **\$ 3,253,654**

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY INDIGENT CARE BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2012

Additions

Interest income	\$	147,679
Net increase (decrease) in fair value of investments		<u>38,337</u>
 Total additions		 <u>186,016</u>

Deductions

Indigent care		114,714
Audit fee		2,475
Insurance		363
Safekeeping fees & service charges		<u>158</u>
 Total deductions		 <u>117,710</u>

Change in net assets **68,306**

Net assets - beginning of the year 3,185,348

Net assets - end of the year **\$ 3,253,654**

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY INDIGENT CARE BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Carroll County Indigent Care Fund was established by a private act on March 21, 1983, for the purpose of assisting the medically indigent in paying for their in-patient and out-patient care and ambulance services rendered to them for not-for-profit hospital and ambulance facilities or entities in such counties. The fund also was empowered to promote health education in the county and acquire or otherwise assist in providing certain types of equipment to aid the medically indigent within the county.

From 1983 through 1988, Baptist Memorial Hospital made contributions to the Fund in the amount of \$2,150,000. This money was set aside in order to establish the Carroll County Indigent Care Board.

A nine-member board of trustees was appointed (three by the county legislative body, three by the Baptist Memorial Hospital, and three by the board itself) to carry out the stated purposes of the private act. The board has appointed Carroll Bank and Trust as the trustee of the Fund.

Under guidelines set forth in the private act and the minutes of the board of trustees, only eighty percent (80%) of the income earned by the fund may be used to pay indigent accounts. The board established a screening committee to determine the medical indigence of applicants and to recommend payment for their benefit.

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

The Fund is a private-purpose trust fund, which is a fiduciary fund type, and therefore maintains its accounting records on the accrual basis of fund accounting in that all receivables and payables are adjusted at the financial statement date to reflect proper timing of revenue and expense. Under the accrual basis of accounting, revenues are recorded as earned, and expenses are recorded when incurred.

In evaluating how to define the Carroll County Indigent Care Board for financial reporting purposes, management has considered whether the Board is a legally separate entity holding corporate powers. Based on this criterion, the Carroll County Indigent Care Board is not considered to be a separate entity, but is considered to be a reporting component of Carroll County, Tennessee.

The Carroll County Indigent Care Board accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. Fiduciary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

CARROLL COUNTY INDIGENT CARE BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

At year-end, the carrying amount of the Board's deposits was \$173,486, and the bank balance was the same. The entire balance is either covered by insurance as provided by the FDIC or by securities pledged by the First Tennessee Bank. The Bank is a member of the Tennessee State Collateral Pool.

Investments were made up mainly of mortgage-backed securities whose values are largely dependent on the interest rate market.

The Board's policies limit deposits and investments to those instruments allowed by the private act under which it was created. That act states that the Board shall invest such funds at the highest and best practical rate of income. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2012, all bank deposits were fully collateralized or insured.

Investments are valued at fair value. The difference in the beginning and ending fair and book values is shown as "net increase (decrease) in fair value of investments" in the revenue section of the statement of revenues, expenses and changes in fund balance. Fair value approximates market.

The Indigent Care Board invests mainly in securities backed by the United States Government. The total book value of these investments as of June 30, 2012 is \$2,928,196, and the total market value is \$3,096,513. As mentioned under the significant accounting policies, these investments are valued at fair value. At June 30, 2012, market values exceeded book value by \$168,317.

Securities at market value consist of:

FHLMC Securities	\$ 1,070,747
FNMA Securities	609,452
GNMA Securities	750,304
Stripped Adjustable Mtge Securities	73,848
Various Mtge-Backed Securities	<u>592,162</u>
Total	<u>\$ 3,096,513</u>

B. Equity

Equity is classified as net assets and displayed as held in trust for indigent care.

CARROLL COUNTY INDIGENT CARE BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

C. Indigent Accounts

At July 1, 2011, approved indigent care accounts totaling \$2,139,660 were available for payment. During the year, new claims totaling \$572,064 were approved, and \$113,697 were paid during the year, bringing the unpaid balance at June 30, 2012, to \$2,598,027. These claims represent a contingent liability for the Board. The amount of approved claims is accrued only if funds are available to pay them. The remaining claims approved will be paid in subsequent periods when funds become available. Net earnings available for payment of indigent accounts, which represent second quarter 2012 earnings, have been accrued as a liability entitled 'accrued indigent payments' in the amount of \$29,353 because this amount represents an actual liability as of the end of the year.

NOTE 3 – OTHER INFORMATION

A. Risk Management

The Board is exposed to risks related to general and public official's liability. To cover these risks, the Board has purchased a commercial insurance policy to provide insurance coverage for these risks. The Board purchased a three-year policy in October 2011. There have been no settlements in the prior three fiscal years, and there has been no significant reduction in coverage.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

16208 Highland Drive
McKenzie, TN 38201

Telephone: (731) 352-3513
(800) 273-3241
Fax: (731) 352-2919

Members of

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

**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***

Board of Trustees
Carroll County Indigent Care Board
Huntingdon, Tennessee

We have audited the financial statements of the Carroll County Indigent Care Board, a fiduciary fund of Carroll County, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 18, 2012. 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.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carroll County Indigent Care Board's internal control over financial reporting as a basis for designing our auditing procedures 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Trustees
Carroll County Indigent Care Board

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Indigent Care Board'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*.

This report is intended for the information and use of the Board of Trustees, Carroll County Commissioners and the State of Tennessee Comptroller of the Treasury, Division of Local Government Audit, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Alexander Thompson Arnold PLLC
McKenzie, Tennessee
September 18, 2012