



SHELBY COUNTY HEALTH CARE CORPORATION
(a Component Unit of Shelby County, Tennessee)

OMB Circular A-133 Reports

June 30, 2014

SHELBY COUNTY HEALTH CARE CORPORATION
(a Component Unit of Shelby County, Tennessee)

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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*

The Board of Directors
Shelby County Health Care Corporation:

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 Shelby County Health Care Corporation (d/b/a Regional One Health), a component unit of Shelby County, Tennessee, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional One Health'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 Regional One Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional One Health'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.

Compliance and Other Matters

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

KPMG LLP

Memphis, Tennessee
November 4, 2014



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Schedule of Expenditures of State of Tennessee Financial Assistance

The Board of Directors
Shelby County Health Care Corporation:

Report on Compliance for Each Major Federal Program

We have audited Shelby County Health Care Corporation's (d/b/a Regional One Health), a component unit of Shelby County, Tennessee, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Regional One Health's major federal programs for the year ended June 30, 2014. Regional One Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Regional One Health's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional One Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional One Health's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional One Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report on Internal Control Over Compliance

Management of Regional One Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional One Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional One Health's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Expenditures of State of Tennessee Financial Assistance

We have audited the financial statements of Regional One Health as of and for the year ended June 30, 2014, and have issued our report thereon dated November 4, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. In addition, the accompanying schedule of expenditures of State of Tennessee financial assistance is presented for the purposes of additional analysis as required by the State of Tennessee and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States



of America. In our opinion, the schedules of expenditures of federal awards and expenditures of State of Tennessee financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Memphis, Tennessee
November 4, 2014

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Federal Sponsor/Program Title</u>	<u>CFDA</u>	<u>Pass-through award number</u>	<u>Pass-through Entity</u>	<u>Direct Expenditures</u>	<u>Pass-through Expenditures</u>	<u>Total Expenditures</u>
U.S. Department of Health and Human Services: Outpatient Early Intervention Services with Respect to HIV: Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease*	93.918	N/A	N/A	\$ 1,429,988	—	1,429,988
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	FCPASCC-09-10.1	Le Bonheur Community Health and Well-Being	—	163,305	163,305
HIV Emergency Relief Project Grants	93.914	1009.898C	Shelby County Government	—	2,551,647	2,551,647
Health Care and Other Facilities	93.887	N/A	N/A	79,900	—	79,900
Total federal expenditures				\$ <u>1,509,888</u>	<u>2,714,952</u>	<u>4,224,840</u>

N/A - not applicable

* Denotes a major program.

See accompanying Independent Auditors' Report

See accompanying notes to the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State of Tennessee Financial Assistance.

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Schedule of Expenditures of State of Tennessee Financial Assistance
Year ended June 30, 2014

Program name	CFDA number	Contract number	Award amount	Deferred revenue July 1, 2013	Cash receipts	Transfers in	Disbursements	Refunds to grantors/ other	Transfers out	Deferred revenue June 30, 2014
Passed through Tennessee Department of Health:										
National Bioterrorism Hospital Preparedness Program	98.889	Z-07-036244-00	\$ 220,800	(475)	—	—	—	—	—	(475)
National Bioterrorism Hospital Preparedness Program	93.889	G10-30871-00	468,336	(354)	—	—	—	—	—	(354)
National Bioterrorism Hospital Preparedness Program	93.889	GR-1339211	176,000	—	—	—	—	—	—	—
Total passed through Tennessee Department of Health			\$ 865,136	(829)	—	—	—	—	—	(829)

See accompanying Independent Auditors' Report

See accompanying notes to the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State of Tennessee Financial Assistance.

SHELBY COUNTY HEALTH CARE CORPORATION

(a Component Unit of Shelby County, Tennessee)

Notes to Schedule of Expenditures of Federal Awards and
Schedule of Expenditures of State of Tennessee Financial Assistance

Year ended June 30, 2014

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of Shelby County Health Care Corporation (d/b/a Regional One Health) under programs of the federal government for the year ended June 30, 2014. The accompanying Schedule of Expenditures of State of Tennessee Financial Assistance (collectively with the Schedule of Expenditures of Federal Awards, the Schedules) summarizes the expenditures of Regional One Health under programs of the state government. The amounts reported as federal and state expenditures were obtained from Regional One Health's general ledger. Because the Schedules present only a selected portion of the operations of Regional One Health, they are not intended to and do not present the financial position, results of operations, changes in net position, and cash flows of Regional One Health.

For purposes of the Schedules, federal awards include all grants, contracts, and similar agreements entered into directly between Regional One Health and agencies and departments of the federal government and all subawards to Regional One Health by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Summary of Significant Accounting Policies

For the purposes of the Schedules, expenditures of federal and state award programs are recognized on the accrual basis of accounting.

SHELBY COUNTY HEALTH CARE CORPORATION
(a Component Unit of Shelby County, Tennessee)

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ x _____ no	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ x _____ none reported	
Noncompliance material to financial statement noted?	_____ yes	_____ x _____ no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	_____ x _____ no	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ x _____ none reported	
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	_____ x _____ no	

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of federal program or cluster</u>
93.918	Outpatient Early Intervention Services with Respect to HIV: Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease.

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ x _____ yes _____ no

SHELBY COUNTY HEALTH CARE CORPORATION

(a Component Unit of Shelby County, Tennessee)

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(2) Findings Related to the Financial Statements Reported in Accordance with *Government Accounting Standards*

There were no findings and questioned costs related to the financial statements reported in accordance with *Government Auditing Standards* for the year ended June 30, 2014.

(3) Findings and Questioned Costs Relating to Federal Awards

There were no findings and questioned costs related to federal awards for the year ended June 30, 2014.