CARROLL COUNTY INDIGENT CARE BOARD

FINANCIAL STATEMENTS

June 30, 2014

CARROLL COUNTY INDIGENT CARE BOARD
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June 30, 2014

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INTRODUCTORY SECTION

CARROLL COUNTY INDIGENT CARE BOARD
June 30, 2014

BOARD OF TRUSTEES

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

ADMINISTRATIVE STAFF

Susan Breeden, Administrator/CEO-Baptist Memorial Hospital
Melody Heyduck, Bookkeeper-Baptist Memorial Hospital

FINANCIAL SECTION

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

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Independent Auditor's Report

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

Report on the Financial Statements
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, 2014, and related notes to the 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 opinion.

Opinion
In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Carroll County Indigent Care Board fiduciary fund, as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
Carroll County Indigent Care Board

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Carroll County Indigent Care Board fiduciary fund and do not purport to, and do not, present fairly the financial position of Carroll County, Tennessee, as of June 30, 2014, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 managements' 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Carroll County Indigent Care Board's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2014, on our consideration of the Carroll County Indigent Care 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* in considering the Carroll County Indigent Care Board's internal control over financial reporting and compliance.

Sincerely,

Alexander Thompson Arnold PLLC
McKenzie, Tennessee
September 14, 2014

CARROLL COUNTY INDIGENT CARE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the Board's financial statements.

FINANCIAL HIGHLIGHTS

- During the fiscal year ended June 30, 2014, the Board had an increase in net position of $4,632.
- The Board's additions to fiduciary net position of $111,415 were an increase of 139.42% for the fiscal year ended June 30, 2014; its deductions of $106,783 were a decrease of 5.04%.
- The Board incurred $103.620 in indigent claims this year as compared to $109,415, a decrease of approximately 5.30%. 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 $3,220,688 as compared to last year's amount of $3,213,804, an increase of $6,884, or .21%.
- The Board has total liabilities of $28,320 as compared to last year's amount of $26,068, an increase of $2,252, or 8.64%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Fiduciary Net Position is summarized below:

	2014	2013
Current assets	$ 217,885	$ 162,866
Other assets	3,002,803	3,050,938
Total assets	3,220,688	3,213,804
Current liabilities	28,320	26,068
Total liabilities	28,320	26,068
Net position	$ 3,192,368	$ 3,187,736

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

	2014	2013
Additions		
Interest income	$ 131,644	$ 138,491
Change in fair value	(20,229)	(91,956)
Total additions	111,415	46,535
Deductions		
Indigent care	103,620	109,415
Other deductions	3,163	3,038
Total deductions	106,783	112,453
Change in net position	$ 4,632	$ (65,918)

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 Position and Changes in Fiduciary Net Position (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, 2014 are taken into account regardless of when cash is received or paid.

The statements of Fiduciary Net Position and Changes in Fiduciary Net Position report the Board's net position and changes in it. The term "net position" 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 position. Over time, increases or decreases in the Board's net position are one indicator of whether its financial health is improving or deteriorating.

BOARD DETAILS

As we previously stated, the Board's net position increased by $4,632 during the fiscal year ended June 30, 2014. The net position held in trust for indigent care changed from $3,187,736 at June 30, 2013 to $3,192,368 at June 30, 2014.

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. Carroll Bank and Trust manages all but three of the Board's investments. Those three will remain with First Tennessee until their maturity, due to the inability to move those particular types of investments. The banks, principally First Tennessee Bank, charged approximately $125 or approximately 0.0001% 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 POSITION
June 30, 2014

ASSETS		
Current		
Cash with trustee	$	207,237
Accrued interest receivable		10,557
Prepaid insurance		91
Total current assets		217,885
Other		
Investments with trustee at fair value		3,002,803
Total assets		3,220,688
LIABILITIES		
Current		
Accrued indigent payments		28,320
Total liabilities		28,320
NET POSITION		
Held in trust for indigent care		3,192,368
Total net position	$	3,192,368

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

CARROLL COUNTY INDIGENT CARE BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

Additions		
Interest income	$	131,644
Net increase (decrease) in fair value of investments		(20,229)
Total additions		111,415
Deductions		
Indigent care		103,620
Audit fee		2,675
Insurance		363
Safekeeping fees & service charges		125
Total deductions		106,783
Change in net position		**4,632**
Net position - beginning of the year		3,187,736
Net position - end of the year	$	**3,192,368**

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

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 using the economic resources measurement focus and the accrual basis of fund accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

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.

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 $207,237, 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, 2014, 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 changes in fiduciary net position. 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, 2014 is $2,946,671, and the total market value is $3,002,803. As mentioned under the significant accounting policies, these investments are valued at fair value. At June 30, 2014, market values exceeded book value by $56,132.

Securities at market value consist of:

FHLMC Securities	$ 1,096,423
FNMA Securities	620,208
GNMA Securities	906,144
Stripped Adjustable Mtge Securities	39,492
Various Mtge-Backed Securities	340,536
Total	$ 3,002,803

B. Equity

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

C. Indigent Accounts

At July 1, 2013, approved indigent care accounts totaling $2,844,558 were available for payment. During the year, new claims totaling $548,603 were approved, and $101,369 were paid during the year, bringing the unpaid balance at June 30, 2014, to $3,291,792. 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 2014 earnings, have been accrued as a liability entitled 'accrued indigent payments' in the amount of $28,320 because this amount represents an actual liability as of the end of the year.

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis at June 30, 2014, were $3,002,803 and are determined by reference to quoted market prices and other relevant information generated by market transactions. At present, the Board has no items carried or that will be carried at fair value on a non-recurring basis. The Board does not currently have nor expects to have any non-financial assets or liabilities which could be carried at fair value.

The Board defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. This standard clarifies the principle that fair value should be based on assumptions would use when pricing the asset or liability and establishes a hierarchy that prioritizes information used to develop these assumptions. The hierarchy is as follows:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
Level 2 Inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs may include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted market prices that are observable for the assets and liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3 Inputs: Unobservable inputs for determining fair values of assets and liabilities that reflect an entity's own assumptions about the assumptions that market participants would use pricing the assets and liabilities.

Investments are the only balance sheet components reported at fair value. They are valued using Level 2 inputs. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and terms and conditions of bonds, and other factors. The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2014:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Investments	$ -	$ 3,002,803	$ -	$ 3,002,803

NOTE 4 – 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

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

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

Board of Trustees
Carroll County Indigent Care Board
Huntingdon, Tennessee

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 the Carroll County Indigent Care Board, a fiduciary fund of Carroll County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carroll County Indigent Care Board's basic financial statements, and have issued our report thereon dated September 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County Indigent Care Board'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 Carroll County Indigent Care Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Indigent Care Board'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.

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*.

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.

Sincerely,

Alexander Thompson Arnold PLLC
McKenzie, Tennessee
September 14, 2014

CARROLL COUNTY INDIGENT CARE BOARD
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

There were no prior findings reported.

Federal Award Findings and Questioned Costs

There were no prior findings reported.