

**HAMILTON COUNTY
MEMORIAL HOSPITAL**

FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

HAMILTON COUNTY MEMORIAL HOSPITAL

BOARD MEMBERS

September 30, 2016

Amelia Tompkins	Board member
Ida Daniels	Board Member
Dr. Benjamin W. Norris, Jr.	Board Member
Cecil Davis	Board Member
Josh Altman	Chairperson

HAMILTON COUNTY MEMORIAL HOSPITAL

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September 30, 2016

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hamilton County Memorial Hospital
Jasper, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Hamilton County Memorial Hospital, (the Hospital Board) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Hospital Board's 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hamilton County Memorial Hospital, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information pages 3-6 and 23-24 respectively 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 26, 2017, on my consideration of the Hamilton County Memorial Hospital's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hamilton County Memorial Hospital's internal control over financial reporting and compliance.



Kenneth M. Daniels
Certified Public Accountant
April 26, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

HAMILTON COUNTY MEMORIAL HOSPITAL
MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2016

Our discussion and analysis of the Hamilton County Memorial Hospital’s (Hospital Board’s), financial performance provides an overview of Hospital Board’s financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the Hospital Board’s financial statements, which begin on page 7.

Financial Highlights

The Hospital Board of Trustees assisted in funding the local Health Department, Rural Health Clinic, and the Suwannee Valley Nursing Center in its efforts to improve the medical services provided to the citizens of Hamilton County, FL. The amounts expended were \$33,000; \$49,014; and \$250,000, respectively.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Hospital Board as a whole and presents a longer-term view of the Hospital Board’s finances.

Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Hospital Board’s operations in more detail than the government-wide statements by providing information about the Hospital Board’s most significant funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Reporting the Hospital as a Whole

Our analysis of the Hospital Board as a whole begins on page 4. The Statement of Net Position and the Statement of Activities on pages 7 and 8 report information about the Hospital Board as a whole and its activities including all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. These two statements also report Hospital Board’s net position and changes in it.

The Hospital Board’s net position – the difference between assets and liabilities – is one way to measure the Hospital Board’s financial health, or financial position. Over time, increases or

decreases in the Hospital Board’s net position is an indicator of whether its financial health is improving or deteriorating. Additional other nonfinancial factors such as changes in the area’s economic conditions should be considered in assessing the Hospital Board’s overall financial health.

In the Statement of Net Position and the Statement of Activities, all of the Hospital Board’s activities are reported as governmental: human services – hospital services.

Reporting the Hospital Board’s Funds

Our analysis of the Hospital Board’s funds (one major) begins on page 4. The fund financial statements begin on page 9 and provide detailed information about the Hospital Board’s governmental fund – General Fund. A description of governmental funds follows:

Governmental funds focus on how money flows into and out of those funds and the balances left at year–end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short –term view of the Hospital Board’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Hospital Board’s programs.

The relationship or differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental funds is described in reconciliations accompanying the fund financial statements.

Governmental Activities – Net Position

The Hospital Board’s net position (as indicated in the table below) as well as its current and other assets decreased slightly. An analysis of the changes follows Table 1 below.

Table 1
NET POSITION
(In Thousands)

	Governmental Activities	
	2016	2015
Current and other assets	\$ 2,236	\$ 2,541
Capital assets	-	-
Total assets	<u>\$ 2,236</u>	<u>\$ 2,541</u>
Other liabilities	50	57
Long term liabilities	-	-
Total liabilities	<u>50</u>	<u>57</u>
Net position:		
Unrestricted	<u>2,186</u>	<u>2,484</u>
Total liabilities & net position	<u>\$ 2,236</u>	<u>\$ 2,541</u>

Governmental Activities – Net Position

The Hospital Board’s net position and current and other assets decreased due to the amounts expended for the improvement of health care as indicated in the financial highlights above. Ultimately, investment earnings were less than the amounts expended.

The Hospital Board has no significant liabilities.

Governmental Activities - Changes in Net Position

**Table 2
CHANGES IN NET POSITION
(In Thousands)**

Statement of Activities	Governmental Activities	
	2016	2015
General revenues		
Interest	45	50
Net increase (decrease) in fair value of investments	7	(10)
Total revenues	52	40
Program expenses		
Human services	350	104
Change in net position	(298)	(64)
Beginning net position	2,484	2,548
Ending net position	\$ 2,186	\$ 2,484

Table 2’s significant variances between years are explained below:

- As indicated above, the general revenues increased slightly due to the increase in the fair value of its investments.
- Expenses increased with the Hospital Board’s participation in funding the local Health Department and Rural Health Clinic and expansion of the Suwannee Valley Nursing Center.

THE HOSPITAL BOARD’S FUND

**TABLE 3
CHANGES IN GENERAL FUNDS' TOTAL
FUND BALANCE
(in Thousands)**

General Fund	2016	2015	\$ Change	Percent Change
Unassigned	\$ 2,186	\$ 2,484	\$ (298)	-12.00%

The Hospital Board's total fund balance decreased approximately \$298,000 – the result of the expenditures for health care as indicated above.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Hospital Board's budget for the year ending September 30, 2016, totaled \$143,000. The budget was fully expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Hospital Board of Trustees has no capital assets or debt.

2016-17 BUDGET AND CURRENTLY KNOWN FACTS

2016-17 Budget

The Hospital Board's budget for the year ending September 30, 2017, allows \$128,000 to be expended for grants and aids to improve medical services to the residents of Hamilton County, FL.

Currently Known Facts

The Hospital Board approved the transfer of its investments from Merrill Lynch to UBS in order to comply with *Florida Statutes* 218.415.

CONTACTING THE HOSPITAL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, customers, and creditors, with a general overview of the Hospital Board's finances and to show the accountability for the assets that it holds and revenue that it receives.

If you have questions about this report or need additional financial information, contact the Hospital Board at 6115 SE CR 135 Jasper, FL 32052.

Sincerely,



Josh Altman
Chairperson, Board of Trustees

**BASIC
FINANCIAL
STATEMENTS**

HAMILTON COUNTY MEMORIAL HOSPITAL

STATEMENT OF NET POSITION

September 30, 2016

	Governmental <u>Activities</u>
Assets	
Cash	\$ 188,445
Interest receivable	11,883
Investments	<u>2,035,558</u>
Total assets	<u>\$ 2,235,886</u>
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 825
Due to other governmental units	<u>49,014</u>
Total liabilities	<u>49,839</u>
Net position	
Unrestricted	<u>2,186,047</u>
Total liabilities and net assets	<u>\$ 2,235,886</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
Human Services					
Hospital services	\$ 349,838	\$ -	\$ -	\$ -	\$ (349,838)
General revenues					
Interest					44,486
Net increase (decrease) in fair value of investments					<u>7,081</u>
Total general revenues					<u>51,567</u>
Change in net assets					(298,271)
Net position - beginning					<u>2,484,318</u>
Net position - ending					<u>\$ 2,186,047</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2016

	<u>General Fund</u>
Assets	
Current assets	
Cash	\$ 188,445
Interest receivable	11,883
Investments	<u>2,035,558</u>
Total assets	<u>\$ 2,235,886</u>
Liabilities and Fund Balances	
Liabilities	
Current liabilities	
Accounts payable	\$ 825
Due to other governmental units	<u>49,014</u>
Total current liabilities	<u>49,839</u>
Fund Balances	
Unassigned	<u>2,186,047</u>
Total liabilities and fund balances	<u>\$ 2,235,886</u>

HAMILTON COUNTY MEMORIAL HOSPITAL
RECONCILIATION OF THE GOVERNMENTAL FUND'S BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2016

Total fund balances for governmental funds	\$ 2,186,047
Adjustments to convert fund balance to net position	_____ -
Total net position of governmental activities	<u>\$ 2,186,047</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	General <u>Fund</u>
Revenues	
Miscellaneous revenues	
Interest	\$ 44,486
Net increase (decrease) of fair value of investments	<u>7,081</u>
Total revenues	<u>51,567</u>
Expenditures	
Current	
Human services	
Hospital services	
Operating expenditures	
Accounting and auditing	13,600
Insurance	829
Bank service charges	70
Other current charges - district fees	175
Other current charges - fees	<u>150</u>
Total operating expenditures	<u>14,824</u>
Grants and aids	
Aid to government agencies	82,014
Aid to private organizations	250,000
Other grants and aids	<u>3,000</u>
Total grants and aids	<u>335,014</u>
Total current expenditures	<u>349,838</u>
Excess (deficiency) of revenues over expenditures	(298,271)
Fund balance at beginning of year	<u>2,484,318</u>
Fund balance at end of year	<u>\$ 2,186,047</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds	\$ (298,271)
Adjustments to convert change in fund balance to change in net assets	<u> -</u>
Change in net assets of governmental activities	<u>\$ (298,271)</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 1. – Organization and Summary of Significant Accounting Policies

The Hamilton County Memorial Hospital (the Board of Trustees) is an Independent Special District created under *Florida Statutes*, Chapter 155 via a referendum held November 4, 1952. Accordingly, the Hospital Board is subject to restrictions imposed by the Florida Constitution and Statutes, as well as the governing board.

The Board of Trustees is composed of five members appointed by the State of Florida's Governor to serve four year terms, except appointments to fill vacancies which are for the unexpired term of the originally appointed member.

The Hospital Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies used by the Hospital Board are discussed below.

A. Reporting Entity

These financial statements present only the Hamilton County Memorial Hospital (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are to be included in the Hospital Board's reporting entity because of the significance of the operating or financial relationships with the Hospital Board.

At September 30, 2016, the Hamilton County Memorial Hospital reporting entity consists only of those functions and activities administered directly by the Hospital Board and include no component units.

The Hospital Board's basic financial statements include both government-wide, which include the financial activities of the overall government, except for fiduciary activities and fund financial statements.

The Hospital Board's human services activities are classified as governmental activities; therefore, both the government-wide and fund financial statements are considered governmental.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

In the government-wide Statement of Net Position, governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all

long-term assets and receivables as well as long-term debt and obligations. The Hospital Board's net position, when applicable, are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of the Hospital Board's single function, human services – hospital services. The Statement of Activities reduces gross expenses (including depreciation, when applicable) by related program revenues, operating grants, and capital grants. Program revenues (grants and aids) must be directly associated with the function (human services). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

When applicable, eliminations are made in the government-wide Statement of Activities to minimize the double counting of internal activities.

Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

The net costs (by function) are normally covered by general revenues (interest income, investment income, miscellaneous, etc.).

The Hospital Board does not allocate indirect costs.

Fund Financial Statements: The fund financial statements provide information about the Hospital Board's funds and focus on the determination of financial position and changes in financial position rather than upon net income.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. When applicable, all remaining governmental are aggregated and reported as nonmajor funds.

The Hospital Board reports the following major governmental fund:

General Fund - this is the Hospital Board's primary operating fund. It accounts for all financial resources.

Measurement Focus, Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: The government-wide financial statements are reported using the resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Nonexchange transactions, in which the Hospital Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and contributions. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual: The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits

The Hospital Board has defined cash and cash equivalents to include cash on hand and demand deposits.

Investments

Investments are recorded at fair value. Any gains or losses are based upon the change in value between periods.

Inventories

It is the policy of the Hospital Board to record the acquisition of supplies as expenditures at the time of purchase. The amount of supplies on hand at any time is nominal in amount and is considered immaterial.

Capital Assets

The Hospital Board has no capital assets at September 30, 2016.

Compensated Absences

The Hospital Board has no employees and, therefore, has not adopted personnel policies providing annual vacation and sick leave benefits.

Deferred Outflows/Inflows of Resources

In addition to assets, (when applicable) the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, (when applicable) the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

The Hospital Board periodically funds outlays for a particular purpose from both restricted and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the Hospital Board's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Hospital Board may fund outlays for a particular purpose from both restricted and unrestricted resources (unassigned fund balance). To compute the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Hospital Board's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

Governmental Funds – Fund Balances

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

The Hospital Board does not have a policy regarding the commitment or assignment of fund balances. As a result, the Hospital Board does not report any committed fund balance. In accordance with GASB 54, the Board reports the amount of the fund balance needed to eliminate expected expenditures over expected revenues in the subsequent year budget as assigned fund balance of the general fund, if applicable.

NOTE 2. Deposits and Investments

Pursuant to Section 218.415(16), *Florida Statutes*, the Hospital Board, having an investment policy may by resolution invest and reinvest any surplus public funds in their control or possession in:

- (a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act of 1969, as provided in s. 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.

- (d) Direct obligations of the U.S. Treasury.
- (e) Federal Agencies and instrumentalities
- (f) Rated or unrated bonds, notes or instruments backed by the full faith and credit of the government of Israel.
- (g) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- (h) Other investments authorized by law or by ordinance for a county or a municipality.
- (i) Other investments authorized by law or by resolution for a school district or a special district.

At September 30, 2016, the Hospital Board's cash held in bank demand deposits totaled \$188,445. The entire balance was covered by federal depository insurance. Any amounts not covered would be insured through the Bureau of Collateral Securities, Florida Department of Financial Services.

At September 30, 2016, the Hospital Board held the following investments:

Investment	Fair Value	Maturity	Maturity in
CDs/Equivalents	<u>9/30/2016</u>	<u>Date</u>	<u>Days</u>
State Bank of India	100,091	10/28/16	28
American Expr Centurion	50,050	10/11/17	376
Discover Bank	45,023	10/17/17	382
GE Capital Bank	43,335	10/23/17	388
Synchrony Bank	249,655	11/06/17	402
Goldman Sachs Bank USA	45,048	11/07/17	403
Sallie Mae Bank	136,208	10/16/18	746
BMW Bk North America	136,358	10/25/18	755
Discover Bank	65,481	04/16/19	928
Comenity Bank	202,686	10/29/19	1124
Goldman Sachs Bank USA	141,873	10/29/19	1124
Sallie Mae Bank	60,892	10/29/19	1124
Citi Bank	35,596	12/17/19	1173
Belmont Savings Bank	244,680	03/23/20	1270
American Expr Centurion	36,651	12/16/20	1538
Goldman Sachs Bank USA	<u>63,122</u>	12/18/20	1540
Total CDs and equivalents	<u>1,656,749</u>		
Government and Agency Securities			
Federal Farm Credit Bank	110,579	11/15/17	411
US Treasury Note	<u>268,230</u>	12/31/18	822
Total Government and Agency Securities	<u>378,809</u>		
	<u>\$ 2,035,558</u>		

The fair value - Level I in the fair value hierarchy - of the investments above was determined by quoted market prices in active markets as reported to the Hospital Board via its Merrill Lynch Wealth Management monthly statements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), *Florida Statutes*, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The Hospital Board's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. However, maturities have been staggered to minimize the risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), *Florida Statutes*, limits investments to those indicated above. The Hospital Board's formal investment policy confines its investment choices to those allowed by the above referenced Statute.

The Hospital Board's investments in the Federal Farm Credit Bank and the US Treasury Note are rated AA+ by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Hospital Board will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), *Florida Statutes*, requires the Hospital Board to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The Hospital Board's formal investment policy does not address custodial credit risk.

Of the Hospital Board's \$2.04 million investments, all are held in the Hamilton County Memorial Hospital's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital Board's investment in a single issuer. The Hospital Board's formal investment policy does not specifically limit the amount that may be invested in any one issuer.

More than five percent of the Hospital Board's investments are in the following:

Investment	Percent of <u>Total Investments</u>
Synchrony Bank	12.26%
Sallie Mae Bank	6.69%
BMW Bk North America	6.70%
Comenity Bank	9.96%
Goldman Sachs Bank USA	6.97%
Belmont Savings Bank	12.02%
Federal Farm Credit Bank	5.43%
US Treasury Note	<u>13.18%</u>
Total	<u>73.21%</u>

The above are seventy-three percent of the Hospital Board's total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Hospital Board's formal investment policy does not limit its investment in foreign currency.

At September 30, 2016, the Hospital Board had no foreign currency denominated investments.

NOTE 3. Interest Receivable

At September 30, 2016, the following amounts were recorded as accrued interest at year end:

	Accrued <u>Interest</u>
CDs/Equivalents	
State Bank of India	\$ 871
American Expr Centurion	353
Discover Bank	297
GE Capital Bank	410
Synchrony Bank	2,404
Goldman Sachs Bank USA	270
Sallie Mae Bank	1,266
BMW Bk North America	1,227
Discover Bank	580
Comenity Bank	12
Goldman Sachs Bank USA	1,270
Sallie Mae Bank	557
Citi Bank	226
Belmont Savings Bank	240
American Expr Centurion	406
Goldman Sachs Bank USA	<u>67</u>
Total CDs	<u>10,456</u>
Government and Agency Securities	
Federal Farm Credit Bank	516
US Treasury Note	<u>911</u>
Total Government and Agency Securities	<u>1,427</u>
Total accrued interest all investments	<u>\$ 11,883</u>

NOTE 4. Fund Balance Reporting

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Hospital Board's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. It provides for two major types of fund balances for governmental funds, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal of permanent or endowment funds. The Hospital Board does not report inventory in its governmental funds; however, it does record prepaid items when applicable.

A hierarchy of spendable fund balances are as follows:

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making (Hospital Board).

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

The Hospital Board has classified its fund balances with the following hierarchy:

Spendable

The Hospital Board has classified the spendable fund balance as unassigned. At September 30, 2016, the unassigned general fund balance was \$2,186,047 or 625 percent of the General Fund's total expenditures.

NOTE 5. Risk Management

The Hospital Board does not carry commercial insurance coverage except for Director's and Officer's liability insurance. Due to the types of assets held and the Board's operations, the cost of coverage is deemed greater than the risks posed.

NOTE 6. Current/Future Accounting Pronouncements

The following statements of the Governmental Accounting Standards Board were effective for the Hospital Board's 2015-16 fiscal year:

No. 72, Fair Value Measurement and Application

No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and

68 No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

As required, the Board adopted the above pronouncements. The financial statements reflect the use of the above pronouncements as applicable.

The following statements will be effective for the Hospital Board's 2017-18 fiscal year (and beyond):

No. 77, Tax Abatement Disclosures

No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

No. 79, Certain External Investment Pools and Pool Participants

No. 80, Blending Requirements For Certain Component Units – an amendment of GASB No. 14

The Board is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2017.

NOTE 7. Commitments

The Hospital Board agreed to provide funding for a Rural Health Clinic located in Jasper, FL. The terms of the agreement call for the following: payment of the monthly rental fee of \$1,000 for the Clinic and one half of any operating losses up to \$80,000 annually. The agreement began in October 2013 and extends to October 2016. The agreement shall renew for additional periods of one year unless notice of non-renewal is furnished ninety days prior to the annual expiration.

NOTE 8. Subsequent Events

The Hospital Board's management has evaluated the subsequent events through the date of the audit report – April 26, 2017, and reports the following:

Investments

In October 2016, all investments were transferred from Merrill Lynch to UBS Financial Services, Inc.

On October 26, 2016, all negotiable certificates of deposit were sold as indicated below and subsequently invested in investments allowed under *Florida Statutes 218.416(16)*:

Investment <u>CDs/Equivalents</u>	Fair Value <u>9/30/2016</u>	Sales <u>10/26/2016</u>	Gain/(Loss) <u>on disposal</u>
State Bank of India 10-17-11	\$ 100,091	\$ 100,892	\$ 801
American Expr Centuri 10-08-12	50,050	50,105	55
Discover Bank 10-08-12	45,023	45,038	15
GE Capital Bank 10-19-11	43,335	43,334	(0)
Synchrony Bank 11-02-10	249,655	252,468	2,813
Goldman Sachs Bank USA 10-31-12	45,048	45,284	236
Sallie Mae Bank 10-10-13	136,208	136,251	43
BMW Bk North America 10-21-13	136,358	136,317	(41)
Discover Bank 04-08-14	65,481	65,309	(172)

(Continued)

Investment CDs/Equivalents	Fair Value <u>9/30/2016</u>	Sales <u>10/26/2016</u>	Gain/(Loss) <u>on disposal</u>
Goldman Sachs Bk 10-23-14	141,873	143,013	1,140
Sallie Mae Bank 10-23-14	60,892	61,366	474
Citi Bank 12-10-14	35,596	35,734	138
American Express Cent BK 12-08-15	36,651	36,746	95
Goldman Sachs Bank USA 12-07-15	63,122	63,308	186
Belmont Savings Bank 03-09-16	<u>244,680</u>	<u>246,210</u>	<u>1,530</u>
	<u>\$ 1,656,749</u>	<u>\$ 1,663,673</u>	6,924
Less accrued interest			<u>(7,878)</u>
Net loss on negotiable CD disposal			<u>\$ (954)</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

HAMILTON COUNTY MEMORIAL HOSPITAL

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended September 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance	\$ -	\$ -	\$ 2,484,318	\$ 2,484,318
Estimated receipts				
Miscellaneous revenues				
Interest	53,000	53,000	44,486	(8,514)
Net increase (decrease) in fair value of investments	<u>90,000</u>	<u>90,000</u>	<u>7,081</u>	<u>(82,919)</u>
Total amounts available for appropriation	<u>143,000</u>	<u>143,000</u>	<u>2,535,885</u>	<u>2,392,885</u>
 Appropriations and reserves				
Human services				
Hospital services				
Operating expenditures				
Accounting and auditing	13,600	13,600	13,600	-
Insurance	829	829	829	-
Bank service charges	70	70	70	-
Other current charges - fees	175	175	175	-
Other current charges - fees	<u>150</u>	<u>150</u>	<u>150</u>	<u>-</u>
Total operating expenditures	<u>14,824</u>	<u>14,824</u>	<u>14,824</u>	<u>-</u>
Grants and aids				
Aid to government agencies	33,000	33,000	82,014	(49,014)
Aid to private organizations	92,000	92,000	250,000	(158,000)
Other grants and aids	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total grants and aids	<u>128,000</u>	<u>128,000</u>	<u>335,014</u>	<u>(207,014)</u>
Total human services	<u>142,824</u>	<u>142,824</u>	<u>349,838</u>	<u>(207,014)</u>
 Reserves				
Contingency and reserve	<u>176</u>	<u>176</u>	<u>-</u>	<u>176</u>
Total appropriations and reserves	<u>143,000</u>	<u>143,000</u>	<u>349,838</u>	<u>(206,838)</u>
Budgetary fund balance at year end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,186,047</u>	<u>\$ 2,186,047</u>

HAMILTON COUNTY MEMORIAL HOSPITAL
NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

September 30, 2016

Note 1. Budget

Annual budgets, as required by state statutes, are adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before June 30, the Hamilton County Memorial Hospital Board's bookkeeper prepares a proposed budget and submits it to the governing board. On or before September 30, the Hospital Board's governing board adopts the budget by resolution.

The appropriated budget is prepared on a detailed line item basis by fund, function, and department. Revenues are budgeted by source. Expenditures are budgeted by department, object, and account classification. The legal level of budgetary control is the fund level.

No supplemental budgetary amendments were required for the year ending September 30, 2016.

Note 2. Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>
Sources/inflows of resources	
Financial statement major funds	
Actual amount (budgetary basis) of the estimated receipts and balances from the budgetary comparison schedules	\$ 2,535,885
Adjustments	
Budgetary fund balance is an amount available for appropriation but is not considered a revenue for GAAP reporting	<u>(2,484,318)</u>
Total revenues reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 51,567</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total appropriations" from the budgetary comparison schedules	\$ 349,838
Adjustments	
Total expenditures reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 349,838</u>

Note 3. Expenditures in Excess of Budgeted Amounts

Contrary to *Florida Statutes* 189.016(3), the Hospital Board's expenditures exceeded its budgeted appropriations by \$206,838.

COMPLIANCE
SECTION

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Trustees
Hamilton County Memorial Hospital
Jasper, Florida

I 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 Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Hamilton County Memorial Hospital, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Hamilton County Memorial Hospital's basic financial statements, and have issued my report thereon dated April 26, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Hamilton County Memorial Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamilton County Memorial Hospital's internal control. Accordingly, I do not express an opinion on the effectiveness of Hamilton County Memorial Hospital'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Hamilton County Memorial Hospital's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Kenneth M. Daniels
Certified Public Accountant
April 26, 2017

KENNETH M. DANIELS
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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
Hamilton County Memorial Hospital
Jasper, Florida

I have examined Hamilton County Memorial Hospital's compliance with *Florida Statutes* 218.415 for the year ended September 30, 2016. Management is responsible for the County's compliance with those requirements. My responsibility is to express an opinion on the Hamilton County Memorial Hospital's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on Hamilton County Memorial Hospital's compliance with the requirements.

In my opinion, the Hamilton County Memorial Hospital complied in all material respects, with the aforementioned requirements for the year ended September 30, 2016.



Kenneth M. Daniels
Certified Public Accountant
April 26, 2017

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MANAGEMENT LETTER

To the Board of Trustees
Hamilton County Memorial Hospital
Jasper, Florida

Report on the Financial Statements

I have audited the financial statements of Hamilton County Memorial Hospital, as of and for the fiscal year ended September 30, 2016, and have issued my report thereon dated April 26, 2017.

Auditor's Responsibility

I conducted my 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.

Other Reports

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550 *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 26, 2017, should be considered in conjunction with this management letter.

Prior year findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no recommendations made in the prior or current year.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1. The Hamilton County Memorial Hospital's financial statements included no component units.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that I apply appropriate procedures and report the results of my determination as to whether or not the Hamilton County Memorial Hospital, has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with my audit, I determined that the Hamilton County Memorial Hospital, did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, I applied financial condition assessment procedures. It is management's responsibility to monitor Hospital Board's financial condition and my financial condition assessment was based in part on representations by management and the review of financial information provided by same. The financial condition assessment was performed as of September 30, 2016.

Annual Financial Report

Sections 10.554(1)(i)5.b., and 10.556(7), *Rules of the Auditor General*, require that I report the results of my determination as to whether the annual financial report for the Hamilton County Memorial Hospital, for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with my audit, I determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires that I determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with my audit, I determined that there were no applicable reporting requirements as a component unit and, therefore, nothing to report.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that I address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Hospital Board's Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels
Certified Public Accountant
April 26, 2017