

**HAMILTON COUNTY
MEMORIAL HOSPITAL**

FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

HAMILTON COUNTY MEMORIAL HOSPITAL

BOARD MEMBERS

September 30, 2012

Amelia Tompkins	Chairperson
Ida Daniels	Board Member
Dr. Benjamin W. Norris, Jr.	Board Member
Angela Miller	Board Member
Jacki Williams	Board member

HAMILTON COUNTY MEMORIAL HOSPITAL

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities and each major fund of the Hamilton County Memorial Hospital, (the Board) as of, and for the year ended September 30, 2012, which collectively comprise the Hospital Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hamilton County Memorial Hospital's management. My responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 20, 2013, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 20 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.



Kenneth M. Daniels
Certified Public Accountant
June 20, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

HAMILTON COUNTY MEMORIAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

Our discussion and analysis of the Hamilton County Memorial Hospital's (Board of Trustees), financial performance provides an overview of Hospital Board's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the Hospital Board's financial statements, which begin on page 7.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Hospital Board as a whole and present 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 Assets and the Statement of Activities on pages 7 and 8 report information about the Hospital Board as a whole and its activities. These statements include 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 the Hospital Board's net assets and changes in them.

The Hospital Board's net assets – the difference between assets and liabilities – are one way to measure the Hospital Board's financial health, or financial position. Over time, increases or decreases in the Hospital Board's net assets are 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 Assets 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 7 and provide detailed information about the Hospital Board’s governmental fund - General. A description of governmental funds follows:

Governmental funds – The Hospital Board’s services are reported in governmental funds, which 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 an accounting method called 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 Assets and the Statement of Activities and governmental funds is described in reconciliations accompanying the fund financial statements.

The Hamilton County Hospital (Board of Trustees) as a Whole

The Hospital Board’s net assets as indicated in the table below as well as its current and other assets increased slightly. A detailed analysis of the changes follows Table 1 below.

Table 1
NET ASSETS
(In Thousands)

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 2,647	\$ 2,628
Capital assets	-	-
Total assets	<u>\$ 2,647</u>	<u>\$ 2,628</u>
Other liabilities	-	-
Long term liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Unrestricted	<u>2,647</u>	<u>2,628</u>
Total liabilities & net assets	<u>\$ 2,647</u>	<u>\$ 2,628</u>

Governmental Activities – Net Assets

The Hospital Board’s net assets and current and other assets improved due to the \$16,000 increase in the fair value of its investments.

The Hospital Board has no significant liabilities.

Governmental Activities - Changes in Net Assets

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

Statement of Activities	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
General revenues		
Interest	\$ 48	\$ 48
Net increase (decrease) in fair value of investments	<u>16</u>	<u>(5)</u>
Total revenues	<u>64</u>	<u>43</u>
Program expenses		
Human services	<u>46</u>	<u>46</u>
Change in net assets	18	(3)
Beginning net assets	<u>2,628</u>	<u>2,631</u>
Ending net assets	<u>\$ 2,646</u>	<u>\$ 2,628</u>

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

- As indicated above, the general revenues increased due to the greater fair value of its investments.
- Expenses remained essentially flat. The Hospital Board’s largest expenditure is assistance to the local Health Department for support of health care in the Hamilton County area.

THE HOSPITAL BOARD’S FUND

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

<u>General Fund</u>	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>Percent Change</u>
Unassigned	\$ <u>2,646</u>	\$ <u>2,628</u>	\$ <u>18</u>	0.68%

The Hospital Board's total fund balance increased approximately \$18,000 – the result of the increased fair value of its investments and decreased expenditures due to an analysis of the provision of health care in Hamilton County, Florida, performed in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Hospital Board did not adopt a budget for the year ending September 30, 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

2012-13 BUDGET AND CURRENTLY KNOWN FACTS

2012-13 Budget

The Hospital Board has not adopted a budget for the year ending September 30, 2013.

Currently Known Facts

The Hospital Board continues in its attempts to improve healthcare for the residents of Hamilton County, FL.

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.

Amelia Tompkins
Chairperson, Hamilton County Memorial Hospital

**BASIC
FINANCIAL
STATEMENTS**

HAMILTON COUNTY MEMORIAL HOSPITAL

STATEMENT OF NET ASSETS

September 30, 2012

Assets	
Cash	\$ 195,628
Interest receivable	19,883
Investments	<u>2,431,722</u>
Total assets	<u>\$ 2,647,233</u>
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 510
Net assets	
Unrestricted	<u>2,646,723</u>
Total liabilities and net assets	<u>\$ 2,647,233</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>
Governmental activities				
Human Services				
Hospital services	<u>\$ 45,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital services				\$ (45,651)
General revenues				
Interest				48,239
Net increase in fair value of investments				<u>15,962</u>
Total general revenues				<u>64,201</u>
Change in net assets				18,550
Net assets - beginning				<u>2,628,173</u>
Net assets - ending				<u>\$ 2,646,723</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2012

	<u>General Fund</u>
Assets	
Current assets	
Cash	\$ 195,628
Interest receivable	19,883
Investments	<u>2,431,722</u>
Total assets	<u>\$ 2,647,233</u>
Liabilities and Fund Balances	
Liabilities	
Current liabilities	
Accounts payable	\$ 510
Fund Balances	
Unassigned	<u>2,646,723</u>
Total liabilities and fund balances	<u>\$ 2,647,233</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

**RECONCILIATION OF THE GOVERNMENTAL FUND'S BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

September 30, 2012

Total fund balances for governmental funds	\$ 2,646,723
Adjustments to convert fund balance to net assets	<u> -</u>
Total net assets of governmental activities	<u><u>\$ 2,646,723</u></u>

HAMILTON COUNTY MEMORIAL HOSPITAL

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

For the Year Ended September 30, 2012

	General Fund
Revenues	
Miscellaneous revenues	
Interest	\$ 48,239
Net increase of fair value of investments	<u>15,962</u>
Total revenues	<u>64,201</u>
Expenditures	
Human services	
Hospital services	
Operating expenditures	
Professional services	885
Accounting and auditing	9,733
Rents	780
Insurance	951
Bank service charges	70
Other current charges - fees	175
Other current charges - fees	<u>150</u>
Total operating expenditures	<u>12,744</u>
Grants and aids	
Aid to government agencies	30,907
Other grants and aids	<u>2,000</u>
Total grants and aids	<u>32,907</u>
Total current expenditures	<u>45,651</u>
Excess (deficiency) of revenues over expenditures	<u>18,550</u>
Fund balance at beginning of year	<u>2,628,173</u>
Fund balance at end of year	<u>\$ 2,646,723</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, 2012

Net change in fund balances - total governmental funds	\$	18,550
Adjustments to convert change in fund balance to change in net assets		<u>-</u>
Change in net assets of governmental activities	\$	<u>18,550</u>

HAMILTON COUNTY MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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 established in GAAP and 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, 2012, 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 – if applicable (reporting the Hospital Board as a whole) and fund financial statements (reporting the Hospital Board's major fund). 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. Basic Financial Statements – Government Wide Statements

In the government-wide Statement of Net Assets, 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 assets, when applicable, are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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.

The government-wide focus is more on the sustainability of the Hospital Board as an entity and the change in the Hospital Board's net assets resulting from the current year's 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.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Hospital Board are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Hospital Board's major governmental fund:

General Fund - The General Fund is the Hospital Board's operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

D. 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.

1. **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.

2. 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.

When applicable, the Hospital Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. When program expenses are incurred, both restricted and unrestricted net assets are available to finance the program. It is the Hospital Board's policy to first apply cost-reimbursement grant proceeds (restricted) and then general revenues (unrestricted).

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

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, 2012.

Compensated Absences

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

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 Hospital Board'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.

When applicable, in accordance with GASB 54, the Hospital 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.

The Hospital Board's policy regarding whether restricted or unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available is that the restricted amounts should be expended prior to the unrestricted balances. In the unrestricted balances the order in which the expenditure is made, when applicable, is committed, assigned, and unassigned.

The breakdown of the fund balance for governmental funds is presented at Note 4.

NOTE 2. Deposits and Investments

Pursuant to Section 218.415(17), *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, 2012, the Hospital Board's cash held in bank demand deposits totaled \$195,628. 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, 2012, the Hospital Board held the following investments:

<u>CDs/Equivalents</u>	<u>Cost</u>	<u>Fair Value 10/1/2011</u>	<u>Purchases</u>	<u>Sales</u>	<u>Subtotal</u>	<u>Fair Value 9/30/2012</u>	<u>Change in Fair Value</u>
MetLife Bank	\$ 247,000	\$ 247,000	\$ -	\$ (247,000)	\$ -	\$ -	\$ -
FirstBank of Puerto Rico	150,000	150,000	-	(150,000)	-	-	-
Bank of China	200,000	200,000	-	(200,000)	-	-	-
Bank of China	49,000	49,000	-	(49,000)	-	-	-
FirstBank Puerto Rico	45,000	44,806	-	-	44,806	45,000	194
FirstBank Tennessee	122,000	122,810	-	-	122,810	122,149	(661)
BMW Bank of North America	246,000	249,421	-	-	249,421	249,542	122
American Express Bank USA	98,000	99,762	-	-	99,762	100,586	824
State Bank of India	98,000	100,195	-	-	100,195	100,884	689
Ally Bank	247,000	240,203	-	-	240,203	246,257	6,054
Discover Bank	98,000	100,127	-	-	100,127	101,500	1,373
GE Capital Retail Bank	247,000	241,900	-	-	241,900	246,171	4,271
Bank Hapoalim	95,000	-	95,000	-	95,000	94,976	(24)
Bank of Baroda	140,000	-	140,000	-	140,000	139,890	(110)
Compass Bank	154,000	-	154,000	-	154,000	153,759	(241)
American Express Centurion	94,000	-	94,000	-	94,000	93,809	(191)
Goldman Sachs Bank USA	110,000	-	110,000	-	110,000	109,776	(224)
Goldman Sachs Bank USA	55,000	-	55,000	-	55,000	54,759	(241)
GE Capital Financial, Inc.	200,000	-	200,000	-	200,000	199,843	(157)
State Bank of India	100,000	-	100,000	-	100,000	100,116	116
GE Capital Financial, Inc.	43,000	-	43,000	-	43,000	42,349	(651)
Total CDs and equivalents	<u>2,838,000</u>	<u>1,845,223</u>	<u>991,000</u>	<u>(646,000)</u>	<u>2,190,223</u>	<u>2,201,365</u>	<u>11,142</u>
Government and Agency Securities							
Federal Home Loan Mortgage Corp	100,000	100,000	-	(100,000)	-	-	-
Federal Home Loan Bank	300,000	300,000	-	(300,000)	-	-	-
Federal Farm Credit Bank	110,000	-	110,000	-	110,000	116,931	6,931
Federal Home Loan Bank	115,538	-	115,538	-	115,538	113,427	(2,111)
Total Government and Agency Securities	<u>625,538</u>	<u>400,000</u>	<u>225,538</u>	<u>(400,000)</u>	<u>225,538</u>	<u>230,358</u>	<u>4,820</u>
Total all investments	<u>\$ 3,463,538</u>	<u>\$ 2,245,223</u>	<u>\$ 1,216,538</u>	<u>\$ (1,046,000)</u>	<u>\$ 2,415,760</u>	<u>\$ 2,431,722</u>	<u>\$ 15,962</u>

All of the above CDs are covered by Federal Depository Insurance.

The fair value of the investments above was determined by quoted market prices as reported to the Hospital Board via its Merrill Lynch Wealth Management monthly statements.

All investments are reported at fair value. None are reported at amortized cost.

There were no realized gains on the redemption of CDs or Government and Agency Securities during the year ending September 30, 2012. The calculation of the gain or loss was independent of the calculation of the net change in the fair value of investments.

NOTE 3. Interest Receivable

At September 30, 2012, the following amounts were recorded as accrued interest at year end:

<u>CDs/Equivalents</u>	<u>Accrued Interest</u>
FirstBank Puerto Rico	\$ 180
FirstBank Tennessee	903
BMW Bank of North America	2,891
American Express Bank USA	1,171
State Bank of India	1,232

Ally Bank	\$	1,680
Discover Bank		894
GE Capital Retail Bank		1,753
Bank Hapoalim		459
Bank of Baroda		537
Compass Bank		709
American Express Centurion		575
Goldman Sachs Bank USA		677
Goldman Sachs Bank USA		438
GE Capital Financial, Inc.		2,371
State Bank of India		859
GE Capital Financial, Inc.		<u>405</u>
Total CDs		<u>17,734</u>
Government and Agency Securities		
Federal Farm Credit Bank		508
Federal Home Loan Bank		<u>1,641</u>
Total Government and Agency Securities		<u>2,149</u>
Total accrued interest all investments	\$	<u>19,883</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.

GASB 54 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.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on spending constraints:

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 restricted, assigned, and unassigned, as applicable. The Hospital Board does not have a policy regarding the commitment of assignment of fund balances. As such, the Hospital Board does not report any committed fund balance. When restricted, assigned, and unassigned funds are available for use, the Hospital Board's procedures are to use the restricted funds first, followed by the assigned funds, and then the unassigned funds.

At September 30, 2012, the unassigned general fund balance was \$2,646,723 or 5,798 percent of the General Fund's total expenditures.

NOTE 5. Subsequent Events

Post year-end the following transactions occurred in the Hospital Board's investment account:

<u>CDs redeemed</u>	<u>Date</u>	<u>Amount</u>
Bank Hapoalim	10/11/2012	\$ 95,000
First Bank Puerto Rico	11/5/2012	45,000
First Bank TN	11/16/2012	122,000
Bank of Baroda	11/23/2012	140,000

<u>CDs and Government Security purchases</u>		
American Express Centurion	10/11/2012	\$ 50,000
Discover Bank	10/17/2012	45,000
Goldman Sachs Bank	11/7/2012	45,000
Treasury Note	11/23/2012	277,075

**REQUIRED
SUPPLEMENTARY
INFORMATION**

HAMILTON COUNTY MEMORIAL HOSPITAL

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended September 30, 2012

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>
Budgetary fund balance	\$ -	\$ -	\$ 2,628,173
Estimated receipts			
Miscellaneous revenues			
Interest	-	-	48,239
Net increase in fair value of investments	-	-	<u>15,962</u>
Total amounts available for appropriation	-	-	<u>2,692,374</u>
Appropriations and reserves			
Human services			
Hospital services			
Operating expenditures			
Professional services	-	-	885
Accounting and auditing	-	-	9,733
Rents	-	-	780
Insurance	-	-	951
Bank service charges	-	-	70
Other current charges - fees	-	-	175
Other current charges - fees	-	-	<u>150</u>
Total operating expenditures	-	-	<u>12,744</u>
Grants and aids			
Aid to government agencies	-	-	30,907
Other grants and aids	-	-	<u>2,000</u>
Total grants and aids	-	-	<u>32,907</u>
Total human services	-	-	<u>45,651</u>
Reserves			
Contingency and reserve	-	-	-
Total appropriations and reserves	-	-	<u>45,651</u>
Budgetary fund balance at year end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,646,723</u>

HAMILTON COUNTY MEMORIAL HOSPITAL
NOTES TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

September 30, 2012

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 and object classification as follows: personal services, operating expenditures, capital outlay, and debt service. The legal level of budgetary control is the fund level. Budgetary information is integrated into the accounting system and appropriations are controlled at the line item level for management control purposes. Budget amendments require the Hospital Board's approval recorded in the minutes.

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	\$ 2,692,374
Adjustments	
Budgetary fund balance is an amount available for appropriation but is not considered a revenue for GAAP reporting	<u>(2,628,173)</u>
Total revenues reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 64,201</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total appropriations" from the budgetary comparison schedules	\$ 45,651
Adjustments	<u>-</u>
Total expenditures reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 45,651</u>

Note 3. Budget Adoption and Amendments

Per *Florida Statutes* 189.418(3), the governing body of each special district shall adopt a budget by resolution each fiscal year. The total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total of appropriations for expenditures and reserves. At a minimum, the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit which are at least at the level of detail required for the annual financial report under s. 218.32(1). The adopted budget must regulate expenditures of the special district, and an officer of a special district may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

Per *Florida Statutes* 189.418(4), the tentative budget must be posted on the special district's official website at least 2 days before the budget hearing, held pursuant to s. 200.065 or other law, to consider such budget. The final adopted budget must be posted on the special district's official website within 30 days after adoption. If the special district does not operate an official website, the special district must, within a reasonable period of time as established by the local general-purpose government or governments in which the special district is located or the local governing authority to which the district is dependent, transmit the tentative budget or final budget to the manager or administrator of the local general-purpose government or the local governing authority. The manager or administrator shall post the tentative budget or final budget on the website of the local general-purpose government or governing authority.

Per *Florida Statutes* 189.418 (6) the governing body of each special district at any time within a fiscal year or within 60 days following the end of the fiscal year may amend a budget for that year as follows:

- (a) Appropriations for expenditures within a fund may be decreased or increased by motion recorded in the minutes if the total appropriations of the fund do not increase.
- (b) The governing body may establish procedures by which the designated budget officer may authorize certain amendments if the total appropriations of the fund do not increase.
- (c) If a budget amendment is required for a purpose not specifically authorized in paragraph (a) or paragraph (b), the budget amendment must be adopted by resolution.

Per *Florida Statutes* 189.418 (7) if the governing body of a special district amends the budget pursuant to paragraph (6) (c), the adopted amendment must be posted on the official website of the special district within 5 days after adoption. If the special district does not operate an official website, the special district must, within a reasonable period of time as established by the local general-purpose government or governments in which the special district is located or the local governing authority to which the district is dependent, transmit the adopted amendment to the manager or administrator of the local general-purpose government or governing authority. The manager or administrator shall post the adopted amendment on the website of the local general-purpose government or governing authority.

For the year ending September 30, 2012, the Hamilton County Memorial Hospital Board failed to follow the above criteria. See the Schedule of Audit Findings, finding 2012-01.

COMPLIANCE

SECTION

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

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

I have audited the financial statements of the governmental activities and each major fund of the Hamilton County Memorial Hospital, as of, and for the year ended September 30, 2012, which collectively comprise the Hospital Board's basic financial statements and have issued my report thereon dated June 20, 2013. 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.

Internal Control Over Financial Reporting

The Hamilton County Memorial Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Hamilton County Memorial Hospital's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the special purpose financial statements but not for the purpose of expressing an opinion on the effectiveness of the Hamilton County Memorial Hospital's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Hamilton County Memorial Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hamilton County Memorial Hospital's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2012-01.

This report is intended solely for the information and use of management, others within the organization, and Board Members and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Chapter 119, *Florida Statutes*, this report is a public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Kenneth M. Daniels". The signature is written in a cursive, flowing style.

Kenneth M. Daniels
Certified Public Accountant
June 20, 2013

Hamilton County Memorial Hospital

Schedule of Audit Findings

September 30, 2012

Current Year Compliance and Other Matters

2012-01 Adopting and Amending the Annual Budget

Condition: The Hamilton County Memorial Hospital Board did not adopt and post an annual budget in accordance with *Florida Statutes* 189.418(3) & (4).

Criteria: The above referenced Statute requires the “adoption of a budget by resolution each fiscal year . . . the adopted budget must regulate expenditures of the Special District, and an officer of the special district may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.”

Cause: Failure to follow *Florida Statutes* in adopting, posting, and amending the Hospital Board’s annual budget.

Effect: Noncompliance with *Florida Statutes*.

Recommendation: Follow budget protocol established under *Florida Statutes* and as indicated in Note 1 on page 21.

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

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

I have audited the financial statements of the Hamilton County Memorial Hospital, as of and for the fiscal year ended September 30, 2012, and have issued my report thereon dated June 20, 2013.

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. I have issued my Report on Internal control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated, June 20, 2013, should be considered in conjunction with this letter.

Additionally, my audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

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. No recommendations were made in the prior year.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires my audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with my audit, I determined that the Hamilton County Memorial Hospital complied with Section 218.415, *Florida Statutes*.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that I address in the management letter any recommendations to improve financial management. Please see the Schedule of Audit Findings on Page 25.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that I address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with my audit, I did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse (2) control deficiencies that are not significant deficiencies. In connection with my audit, I did not have any such findings

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal Hospital Board 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.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity 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*.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that I determine whether the annual financial report for the Hamilton County Memorial Hospital for the fiscal year ended September 30, 2012, 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, 2012. In connection with my audit, I determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, I applied financial condition assessment procedures. It is management's responsibility to monitor the Hamilton County Memorial Hospital's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was performed for the period ending September 30, 2012.

This 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, and the Hamilton County Memorial Hospital Board and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels
Certified Public Accountant
June 20, 2013