



Barbour County Hospital Association

Eufaula, Alabama

October 1, 2023 through September 30, 2024

Filed: December 19, 2025

ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

Rachel Laurie Riddle, *Chief Examiner* | 334-777-0500 | www.alexaminers.gov



Rachel Laurie Riddle
Chief Examiner

State of Alabama
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Examiners of Public Accounts

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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Barbour County Hospital Association, Eufaula, Alabama, for the period October 1, 2023 through September 30, 2024. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink, which appears to read 'Laura Lynette Long'.

Laura Lynette Long
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Barbour County Hospital Association
October 1, 2023 through September 30, 2024**

Barbour County Hospital Association (the “Association”) approves annual appropriations to the Barbour County Health Department to assist in providing public health services to the citizens of the County. The Association maintains health clinics located in Clayton, Clio, Eufaula and Louisville.

The Association is publicly supported by the ad valorem taxes levied annually on all taxable property. A Board of Directors consisting of seven members appointed by the Barbour County Commission is the governing body of the Association.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Association complied with applicable laws and regulations. The audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means the Association’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2024.

AUDIT FINDINGS

Problems were found with the Association’s internal control over financial reporting (Exhibit 5) and are summarized below.

- ◆ 2024-001: The Association failed to properly record and report property tax receivables and deferred inflows in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Section N50. This finding was previously reported as Finding 2023-001.

- ◆ 2024-002: The Association failed to properly record and support activity related to capital assets.
- ◆ 2024-003: The Association did not properly display components of net position in the financial statements.

EXIT CONFERENCE

Board members as reflected on Exhibit 4 and Stephanie Westbrook, Association Office Manager, were invited to an exit conference to discuss the results of the audit. The following individuals attended the exit conference virtually: Rebecca Beasley, Chairperson; Philip Clayton, Vice-Chairperson; Mary Foy Kirkland, Treasurer; Association Board Member Pat Ivey; and Stephanie Westbrook, Association Office Manager. Representing the Department of Examiners of Public Accounts were Annette G. Williams, Audit Manager and Lynette Long, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Barbour County Hospital Association Board of Directors
Eufaula, Alabama 36027

Report on the Audit of the Financial Statements

Opinion

We have audited the basic financial statements of Barbour County Hospital Association, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Barbour County Hospital Association's basic financial statements as listed in the table of contents as Exhibits 1 through 3.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barbour County Hospital Association, as of September 30, 2024, and its changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***Government Audit Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Barbour County Hospital Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Barbour County Hospital Association's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and **Government Auditing Standards** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and **Government Auditing Standards**, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit 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 Barbour County Hospital Association's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Barbour County Hospital Association's ability to continue as a going concern for a reasonable period of time.

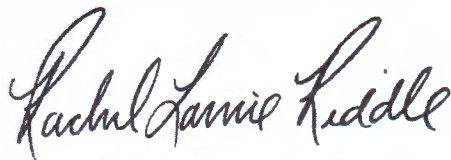
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Barbour County Hospital Association has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025, on our consideration of Barbour County Hospital Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Barbour County Hospital Association's 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 Barbour County Hospital Association's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

December 2, 2025

Basic Financial Statements

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Statement of Net Position
September 30, 2024

ASSETS

Current Assets

Cash and Cash Equivalents	\$	422,419.99
Investments		165,205.91
Accounts Receivable		524,862.83
Notes Receivable		63,849.10
Total Current Assets		<u>1,176,337.83</u>

Noncurrent Assets

Investments		650,379.00
Notes Receivable		1,346,150.90
Capital Assets:		
Buildings		450,656.21
Building Improvements		342,636.00
Equipment		34,160.30
Less: Accumulated Depreciation		<u>(370,181.94)</u>
Total Capital Assets, Net of Depreciation		<u>457,270.57</u>
Total Noncurrent Assets		<u>2,453,800.47</u>
Total Assets		<u>3,630,138.30</u>

Deferred Inflow of Resources

Deferred Tax Revenue		506,416.43
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NET POSITION

Net Investment in Capital Assets		457,270.57
Unrestricted		<u>2,666,451.30</u>
Total Net Position	\$	<u><u>3,123,721.87</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2024

OPERATING EXPENSES

Grant to Health Care Authority - City of Eufaula	\$ 342,000.00
Grant to Health Department	77,386.77
Clinic Expense	64,006.15
Legal and Accounting	7,109.65
Insurance - Professional Liability	4,231.00
Other	2,970.51
Depreciation	9,401.56
Total Operating Expenses	<u>507,105.64</u>
Operating Income (Loss)	<u>(507,105.64)</u>

NONOPERATING REVENUES (EXPENSES)

Tax Revenue	587,222.79
Interest Income	57,825.04
Other	5,206.25
Total Nonoperating Revenues	<u>650,254.08</u>
Change in Net Position	143,148.44
Total Net Position - Beginning of Year	<u>2,980,573.43</u>
Total Net Position - End of Year	<u><u>\$ 3,123,721.87</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows

For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Grant to Health Care Authority - City of Eufaula	\$ (342,000.00)
Grant to Health Department	(77,386.77)
Clinic Expense	(64,006.15)
Legal and Accounting	(7,109.65)
Insurance - Professional Liability	(4,231.00)
Other	(2,970.51)
Notes Receivable	(1,410,000.00)
Net Cash Provided (Used) by Operating Activities	(1,907,704.08)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Tax Revenue	778,862.28
Other	640.00
Net Cash Provided (Used) by Noncapital Financing Activities	779,502.28

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchases of Capital Assets	(61,864.21)
Net Cash Provided (Used) by Capital Financing Activities	(61,864.21)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	7,665.09
Maturity of Investments	1,466,070.63
Net Cash Provided (Used) by Investing Activities	1,473,735.72

Net Increase (Decrease) in Cash and Cash Equivalents	283,669.71
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Cash and Cash Equivalents - Beginning of Year	138,750.28
Cash and Cash Equivalents - End of Year	422,419.99

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	(507,105.64)
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Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense	9,401.56
Changes in Assets and Liabilities:	
(Increase)/Decrease in Loans Receivable	(1,410,000.00)

Net Cash Provided (Used) by Operating Activities	\$ (1,907,704.08)
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies

The financial statements of Barbour County Hospital Association are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Association are described below.

A. Reporting Entity

The Barbour County Hospital Association was established under the provisions of the *Code of Alabama 1975*, Sections 22-21-50 through 22-21-57. Association directors are appointed by the Barbour County Commission. Directors elect, from their membership, a Chairman, Vice-Chairman, and a Secretary-Treasurer annually. The business affairs of the Association are conducted by the Board of Directors.

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

The Association's financial statements are maintained and presented based upon the accrual basis of accounting.

When the Association has both restricted and unrestricted resources available to finance a particular program, it is the Association's policy to use restricted resources before unrestricted resources.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues result from exchange transactions associated with the Association's principal activities. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Association's principal activities, such as taxes, grant and contributions received for purposes other than capital asset acquisition. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

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

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and demand deposits.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

Notes to the Financial Statements
For the Year Ended September 30, 2024

2. Receivables

Accounts receivable relate to amounts due for interest, loans and taxes.

3. Capital Assets

The Association's capital assets are reported at historical costs. Donated capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized using the straight-line method of depreciation.

Assets	Useful Lives
Buildings and Building Improvements	27.5 to 50 years
Equipment and Furniture	10 years

4. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

5. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

6. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Notes to the Financial Statements

For the Year Ended September 30, 2024

7. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted:**
 - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the Association.

 - ✓ **Expendable** – Net position whose use by the Association is subject to externally imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.

- ◆ **Unrestricted** – Net position which is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be designated for specific purposes by action of the Association.

8. Property Taxes

The Board received approximately 90% of its financial support in 2024 from property taxes.

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of the initial year of the levy. Property is assessed for taxation as of October 1 of the preceding year based on millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent December 31.

In accordance with *Codification of Governmental Accounting and Financial Reporting Standards*, Section N50, an accounts receivable is recognized for the Association's share of the taxes that will be collected and received by the Association beginning in October of the subsequent fiscal year. Since the funds will not be available until the subsequent year, the estimated amount is shown as a deferred inflow.

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note 2 – Deposits and Investments

A. Deposits

The Association’s deposits at year-end were held by financial institutions in the State of Alabama’s Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer’s Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

B. Investments

As of September 30, 2024, the Association had investments totaling \$815,584.91. Of this amount, \$165,205.91 consists of certificates of deposit, which is considered a deposit in the context of this disclosure. The certificates of deposit are held by a financial institution in the SAFE Program and are not subject to risk categorization. The balance of \$650,379.00 is described below:

Investment Type	Fair Value	Investment Maturity in Years				No Maturity
		Less Than 1	1 – 5	6 – 10	More Than 10	
Fixed Income	\$650,379.00	\$74,378.53	\$571,268.26	\$	\$	\$4,732.21
Total	<u>\$650,379.00</u>	<u>\$74,378.53</u>	<u>\$571,268.26</u>	<u>\$</u>	<u>\$</u>	<u>\$4,732.21</u>

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Association does not have a formal investment policy that limits its investments to a particular rating. The Association investments in its mutual funds had various ratings.

Notes to the Financial Statements

For the Year Ended September 30, 2024

To the extent available, the Association's investments are recorded at fair value as of September 30, 2024. GASB Statement Number 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.

Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

Investments by Fair Value Level	9/30/2024	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:				
Corporate Bonds	\$255,009.17	\$255,009.17	\$	\$
Municipal Bonds	327,051.40	327,051.40		
CDs and BAs	63,586.22	63,586.22		
Total Debt Securities	645,646.79	\$645,646.79	\$	\$
Cash Sweep Account	4,732.21			
Certificates of Deposit	165,205.91			
Total	\$815,584.91			

Notes to the Financial Statements
For the Year Ended September 30, 2024

Note 3 – Receivables

Receivables are reported and summarized as follows:

<u>Accounts Receivable:</u>	
Interest Receivable – CDs	\$ 480.00
Taxes Receivable	524,382.83
Total Accounts Receivable	<u>524,862.83</u>

Note 4 – Notes Receivable

On October 26, 2023, the Association entered into a loan agreement with Medical Center Barbour Hospital, LLC (“Barbour Hospital”) in the amount of \$600,000.00 to fund general operating expenses of Barbour Hospital. This loan is secured with pledged assets of endoscopic equipment. Barbour Hospital will repay the said amount to the Association with 1.5% interest over 36 months. The principal and interest is due in a lump sum payment of \$614,209.04 at the end of the loan. The remaining balance due on the loan at September 30, 2024, is \$600,000.00.

On July 11, 2024, the Association entered into a loan agreement with Ms. Ursula Wilson, dba Clio Health Clinic (“Clio Clinic”) in the amount of \$50,000.00 to fund general operating expenses of Clio Clinic. Clio Clinic will repay the said amount to the Association with 1.5% interest over 24 months. The payment terms include a deferment period of 12 months with a \$5,000 principal payment due at mid-term of the loan. The remaining principal and interest is due in a lump sum payment of \$45,776.96 at the end of the loan. The remaining balance due on the loan at September 30, 2024, is \$50,000.00.

On August 28, 2024, the Association entered into a loan agreement with Barbour Hospital in the amount of \$760,000.00 to payroll expenses of Barbour Hospital during the Critical Access Hospital transition period. This loan is secured with a continuing lien on and security interest in all property belonging to Barbour Hospital. Barbour Hospital will repay the said amount to the Association with 1.5% interest over 24 months. The payment terms include a deferment period of 12 months, after which principal and interest payments are due monthly. The remaining balance due on the loan at September 30, 2024, is \$760,000.00.

Notes to the Financial Statements
For the Year Ended September 30, 2024

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Deductions	Adjustment	Ending Balance
Buildings	\$450,656.21	\$	\$	\$	\$450,656.21
Building Improvements	297,322.80	55,612.20		(10,299.00)	342,636.00
Equipment	17,609.29	40,987.97		(24,436.96)	34,160.30
Total	765,588.30	96,600.17		(34,735.96)	827,452.51
Less: Accumulated Depreciation					
Buildings	226,802.38	9,401.56			236,203.94
Building Improvements	133,083.00				133,083.00
Equipment	895.00				895.00
Total Accumulated Depreciation	360,780.38	9,401.56			370,181.94
Total Capital Assets, Net	\$404,807.92	\$87,198.61	\$	\$(34,735.96)	\$457,270.57

Note 6 – Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association is self-insured for its buildings and contents. Commercial insurance coverage is purchased for claims arising from general liability. In addition, the Association has directors and officials' liability insurance on all the Association's Board members.

Settled claims resulting from these risks have not exceeded the Association's coverage in any of the three preceding years.

Additional Information

Board Members
October 1, 2023 through September 30, 2024

Board Members	Term Expires
Rebecca Beasley, Chairperson	2026
Philip Clayton, Vice-Chairperson	2026
Mary Foy Kirkland, Treasurer	2026
Fred Frost	2026
Rachel Pearson	2026
Pat Ivey	2026
Homer Henson	2026

***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***

Independent Auditor's Report

Barbour County Hospital Association Board of Directors
Eufaula, Alabama 36027

We have audited, 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 (***Government Auditing Standards***), the financial statements of Barbour County Hospital Association (the "Association"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 2, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described below as Findings 2024-001, 2024-002 and 2024-003 to be material weaknesses.

***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***

Finding 2024-001

The Association did not properly account for property tax receivables resulting from County tax levies. The *Codification of Governmental Accounting and Financial Reporting Standards*, Section N50, paragraph .114 states, “Governments should recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first”. Section N50, Paragraph .115 states, “Governments should recognize revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied, even if the enforceable legal claim arises or the due date for payment occurs in a different period... Deferred inflows of resources associated with imposed nonexchange revenue transactions should be reported when resources are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are either required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements.”

The Association receives property taxes from the County that were authorized by the County Commission to be used “solely for acquiring by purchase, lease, or otherwise, constructing, operating, equipping, or maintaining county hospitals, or other public hospitals, non-profit hospitals, and public health facilities”. The Association failed to record a receivable and a deferred inflow, in the amount of \$506,416.43, in the period for which the property taxes were levied. As a result, accounts receivable and deferred inflows were materially understated \$506,416.43. The Association agreed to adjust the final financial statements for the error.

Recommendation

The Association should establish procedures that ensure accounts receivable and deferred inflows are recorded and reported in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Section N50.

Views of Responsible Officials

We agree with the finding.

***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***

Finding 2024-002

The Association failed to properly record and support activity related to capital assets. Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records and underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings. The following discrepancies were noted in the Association's general ledger:

- ◆ The Association failed to properly maintain and reconcile the subsidiary ledger to the general ledger. As a result, the subsidiary ledger was understated by \$36,349.22.
- ◆ The Association did not properly calculate and record depreciation expense. As a result, depreciation expense and accumulated depreciation were understated by \$9,914.56. No adjustment was made to the financial statements for the error.
- ◆ Several additions to capital assets should not have been capitalized. The Association capitalized medical supplies, legal services, and pest control services in the amount of \$34,735.96 that should have been expensed. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The Association agreed to adjust the final financial statements for the errors.

Recommendation

The Association should design and implement internal controls to ensure that accountability is established and maintained for all capital assets.

Views of Responsible Officials

We agree with the finding.

***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***

Finding 2024-003

The Association did not properly display components of net position in the financial statements. The ***Codification of Governmental Accounting and Financial Reporting Standards***, Sections 2200.116-118, requires governments to report the residual amount between all other elements in a statement of financial position as net position. Net position should be displayed in three components—net investment in capital assets; restricted; and unrestricted. The Association failed to display the net investment in capital assets component of net position and rather displayed all net position as unrestricted. The error resulted in a material difference between the categories in the amount of \$457,270.57. The Association agreed to adjust the final financial statements for the error.

Recommendation

The Association should establish procedures that ensure net position is displayed in three components in accordance with the ***Codification of Governmental Accounting and Financial Reporting Standards***, Sections 2200.116-118.

Views of Responsible Officials

We agree with the finding.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

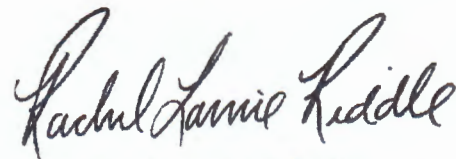
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Barbour County Hospital Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit as described above. The Association's response to the findings identified in our audit is described in the accompanying Auditee Response. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

December 2, 2025

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Auditee Response



Auditee Response

For the Year Ended September 30, 2024

Barbour County Hospital Association has prepared and hereby submits the following Auditee Response for the findings which are included in the ***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*** for the year ended September 30, 2024.

Finding

Ref.

No.

Corrective Action Plan Details

2024-001

Finding

The Association did not properly account for property tax receivables resulting from County tax levies. The ***Codification of Governmental Accounting and Financial Reporting Standards***, Section N50, paragraph .114 states, “Governments should recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first”. Section N50, Paragraph .115 states, “Governments should recognize revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied, even if the enforceable legal claim arises or the due date for payment occurs in a different period... Deferred inflows of resources associated with imposed nonexchange revenue transactions should be reported when resources are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are either required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements.”

The Association receives property taxes from the County that were authorized by the County Commission to be used “solely for acquiring by purchase, lease, or otherwise, constructing, operating, equipping, or maintaining county hospitals, or other public hospitals, non-profit hospitals, and public health facilities”. The Association failed to record a receivable and a deferred inflow, in the amount of \$506,416.43, in the period for which the property taxes were levied. As a result, accounts receivable and deferred inflows were materially understated \$506,416.43. The Association agreed to adjust the final financial statements for the error.

Recommendation

The Association should establish procedures that ensure accounts receivable and deferred inflows are recorded and reported in accordance with the ***Codification of Governmental Accounting and Financial Reporting Standards***, Section N50.

Response/Views: We agree with the finding.

Corrective Action Planned: We will prepare our financial statements with accounts receivable and deferred inflows in accordance with government code.

Anticipated Completion Date: Dec. 5, 2025

Contact Person(s): Stephanie Westbrook

2024-002

Finding

The Association failed to properly record, and support activity related to capital assets. Generally Accepted Accounting Principles (GAAP) require all financial activity be properly recorded in the accounting records, underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings, and any adjustments made to the financial records be adequately documented. The following discrepancies were noted in the Association's general ledger:

The Association failed to properly maintain and reconcile the subsidiary ledger to the general ledger. As a result, the subsidiary was understated by \$36,349.22.

The Association did not properly calculate and record depreciation expense. As a result, depreciation expense and accumulated depreciation were understated by \$9,914.56. No adjustment was made to the financial statements for the error.

Several additions to capital assets should not have been capitalized. The Association capitalized medical supplies, legal services, and pest control services in the amount of \$34,735.96 that should have been expensed. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The Association agreed to adjust the final financial statements for the errors.

Recommendation

The Association should design and implement internal controls to ensure that accountability is established and maintained for all capital assets.

Response/Views: We agree with the finding.

Corrective Action Planned: Using guidelines approved by the board, we will restate assets currently capitalized as expenses and update our asset list accordingly.

Anticipated Completion Date: Dec. 5, 2025

Contact Person(s): Stephanie Westbrook

2024-003

Finding

The Association did not properly display components of net position in the financial statements. The *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2200.116-118, requires governments to report the residual amount between all other elements in a statement of financial position as net position. Net position should be displayed in three components—net investment in capital assets; restricted; and unrestricted. The Association failed to display the net investment in capital assets component of net position and rather displayed all net position as unrestricted. The error resulted in a material difference between the categories in the amount of \$457,270.57. When the error was brought to the attention of the Association during the audit, the Association agreed to adjust the financial statements for the error.

Recommendation

The Association should establish procedures that ensure net position is displayed in three components in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2200.116-118.

Response/Views: We agree with the finding.

Corrective Action Planned: We will present our net position in three components.

Anticipated Completion Date: Dec. 5, 2025

Contact Person(s): Stephanie Westbrook



Rebecca Beasley, Chairperson
Barbour County Hospital Association