

HOSPITAL AUTHORITY OF  
ALBANY-DOUGHERTY COUNTY, GEORGIA



FINANCIAL STATEMENTS

for the years ended July 31, 2011 and 2010

## C O N T E N T S

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# Draffin & Tucker, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Hospital Authority Of  
Albany-Dougherty County, Georgia  
Albany, Georgia

We have audited the balance sheets of the Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in unrestricted net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2011 and 2010, and the results of its operations and changes in unrestricted net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Draffin & Tucker, LLP*  
Albany, Georgia  
October 27, 2011

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

BALANCE SHEETS, July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ <u>206,309</u>	\$ <u>37,749</u>
Total assets	\$ <u>206,309</u>	\$ <u>37,749</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable	\$ 3,612,415	\$ 4,477
Net assets:		
Unrestricted	(3,406,106)	<u>33,272</u>
Total liabilities and unrestricted net assets	\$ <u>206,309</u>	\$ <u>37,749</u>

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

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN UNRESTRICTED NET ASSETS  
 for the years ended July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Lease revenue	\$ 1	\$ 1
Contribution from Phoebe Putney Memorial Hospital, Inc.	<u>941,356</u>	<u>98,937</u>
Total revenue	941,357	98,938
Expenses:		
Operating expenses	<u>4,380,735</u>	<u>86,404</u>
Excess revenues (expenses)	(3,439,378)	12,534
Unrestricted net assets, beginning of year	<u>33,272</u>	<u>20,738</u>
Unrestricted net assets, end of year	<u><u>\$(3,406,106)</u></u>	<u><u>\$ 33,272</u></u>

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

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS  
for the years ended July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Funds paid to Georgia Department of Community Health:		
Indigent Care Trust Fund	\$( 3,834,070)	\$( 4,228,698)
Upper payment limit	( 1,373,263)	( 30,699)
Funds received from Georgia Department of Community Health:		
Indigent Care Trust Fund	11,058,756	12,116,614
Upper payment limit	4,672,475	104,902
Lease revenue	1	1
Contribution from Phoebe Putney Memorial Hospital, Inc.	941,356	98,937
Transfer of funds received from Georgia Department of Community Health to Phoebe Putney Memorial Hospital, Inc.	(10,523,898)	( 7,962,119)
Payments to vendors	( 772,797)	( 81,927)
Net cash provided by operating activities	<u>168,560</u>	<u>17,011</u>
Cash flows from noncapital financing activities:		
Transfer from Phoebe Putney Memorial Hospital, Inc.	5,207,333	4,259,397
Transfer to Phoebe Putney Memorial Hospital, Inc.	( 5,207,333)	( 4,259,397)
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>
Net increase in cash	168,560	17,011
Cash, beginning of year	<u>37,749</u>	<u>20,738</u>
Cash, end of year	<u>\$ 206,309</u>	<u>\$ 37,749</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued  
for the years ended July 31, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
Reconciliation of excess revenues (expenses) to net cash flows provided by operating activities:		
Excess revenues (expenses)	\$(3,439,378)	\$ 12,534
Change in:		
Accounts payable	<u>3,607,938</u>	<u>4,477</u>
Net cash provided by operating activities	\$ <u>168,560</u>	\$ <u>17,011</u>

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

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

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1. Significant Accounting Policies

Organization

The Hospital Authority of Albany-Dougherty County, Georgia is a public corporation organized to operate, control, and manage matters concerning the County's health care functions.

On September 1, 1991, the Hospital Authority implemented a reorganization plan whereby all of the assets and day-to-day management of Phoebe Putney Memorial Hospital were transferred to Phoebe Putney Memorial Hospital, Inc., a not-for-profit corporation (Corporation), qualified as an organization described in Section 501(c)(3) of the Internal Revenue Code. The transfer was made pursuant to a Lease and Transfer Agreement dated as of December 11, 1990 between the Hospital Authority and the Corporation. A nominal annual lease payment is paid to the Hospital Authority. During 2009, the lease term was renewed to the original term of forty years.

Under the terms of the Agreement, any debt issued by the Hospital Authority will be the responsibility of the Corporation. As of July 31, 2011, approximately \$218,380,000 of Revenue Anticipation Certificates are outstanding in the Authority's name. These certificates are recorded and disclosed in the financial statements of the Corporation for the year ended July 31, 2011.

On December 21, 2010, the Authority agreed to purchase substantially all assets of Palmyra Medical Center (Palmyra), a general acute care hospital located in Albany, Georgia for approximately \$195 million. Pursuant to the Asset Purchase Agreement, Phoebe Putney Health System, Inc. is obligated to pay the seller \$35 million as a break-up fee in the event the closing purchase does not occur on or before December 15, 2011.

During 2011, in conjunction with the purchase of Palmyra, the Hospital Authority incurred costs in response to federal and state regulatory agency inquiries and actions. These fees are being reimbursed by the Corporation.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

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1. Significant Accounting Policies, Continued

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, as amended, the Authority has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

2. Commitments and Contingencies

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national and the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

3. Income Taxes

The Hospital Authority is a tax exempt entity and none of its present or anticipated future activities are subject to income taxes; therefore, no provision for income taxes is made in these financial statements.