

HOSPITAL AUTHORITY OF
ALBANY-DOUGHERTY COUNTY, GEORGIA



FINANCIAL STATEMENTS

for the years ended July 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Hospital Authority of Albany-Dougherty County, Georgia (Authority), which comprise the balance sheets as of July 31, 2017 and 2016, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We 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 from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2017 and 2016, and the results of its operations and changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 24, 2017

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

BALANCE SHEETS, July 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ <u>120,000</u>	\$ <u>100,000</u>
Total assets	\$ <u>120,000</u>	\$ <u>100,000</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	\$ 67,000	\$ 20,000
Net position:		
Unrestricted	<u>53,000</u>	<u>80,000</u>
Total liabilities and net position	\$ <u>120,000</u>	\$ <u>100,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
for the years ended July 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Lease consideration	\$ 60,000	\$ 66,000
Operating expenses:		
Purchased services and other	<u>87,000</u>	<u>26,000</u>
Operating income (loss)	(27,000)	40,000
Net position, beginning of year	<u>80,000</u>	<u>40,000</u>
Net position, end of year	\$ <u>53,000</u>	\$ <u>80,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS
for the years ended July 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Funds paid to Georgia Department of Community Health:		
Indigent Care Trust Fund	\$(2,346,000)	\$(4,901,000)
Upper payment limit	(1,370,000)	(36,000)
Funds received from Georgia Department of Community Health:		
Indigent Care Trust Fund	7,306,000	15,097,000
Upper payment limit	4,200,000	106,000
Lease consideration	60,000	125,000
Transfer of funds received from Georgia Department of Community Health to Phoebe Putney Memorial Hospital, Inc.	(7,790,000)	(10,266,000)
Payments to suppliers	(40,000)	(66,000)
Net cash provided by operating activities	<u>20,000</u>	<u>59,000</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of leased assets	451,000	-
Transfer to Phoebe Putney Memorial Hospital, Inc.	(451,000)	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities:		
Transfer from Phoebe Putney Memorial Hospital, Inc.	3,716,000	4,937,000
Transfer to Phoebe Putney Memorial Hospital, Inc.	(3,716,000)	(4,937,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
Net increase in cash	20,000	59,000
Cash, beginning of year	<u>100,000</u>	<u>41,000</u>
Cash, end of year	\$ <u>120,000</u>	\$ <u>100,000</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of cash to the balance sheet:		
Cash in current assets	\$ <u>120,000</u>	\$ <u>100,000</u>
Reconciliation of operating income (loss) to net cash flows provided by operating activities:		
Operating income (loss)	\$(27,000)	\$ 40,000
Changes in:		
Contributions receivable from Phoebe Putney Memorial Hospital, Inc.	-	59,000
Accounts payable and accrued expenses	<u>47,000</u>	<u>(40,000)</u>
Net cash provided by operating activities	\$ <u>20,000</u>	\$ <u>59,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

July 31, 2017 and 2016

1. Summary of Significant Accounting Policies

Reporting Entity

The Hospital Authority of Albany-Dougherty County, Georgia (Authority) 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. (Corporation), a not-for-profit 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. 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, 2017, approximately \$279,605,000 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, 2017.

The Authority serves as a pass-through entity associated with the Corporation's participation in certain governmental health care programs. As such, the Authority makes transfers on behalf of the Corporation for Indigent Care Trust Fund obligations and Upper Payment Limit transfers.

On December 15, 2011, the Authority purchased substantially all assets of Palmyra Park Hospital, LLC (Palmyra), a general acute care hospital located in Albany, Georgia. The Authority operated Palmyra under the name Phoebe North.

Effective August 1, 2012, the lease and transfer agreement between the Corporation and the Authority was amended and restated. The amendment was made for the transfer and inclusion of the hospital formerly known as Palmyra. The amendment included the extension of the lease for a term of forty years from the date of the current amendment. As consideration for the lease, the Corporation agreed to provide funds sufficient to cover all costs and expenses of the Authority, and to maintain an amount of not less than \$100,000 under the Authority's control to pay all costs and expenses.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2017 and 2016

1. Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance 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. The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Net Position

Net position of the Authority is classified as *unrestricted net position*. *Unrestricted net position* is the remaining net amount of assets and liabilities that are not invested in capital assets and do not contain restrictions on their use.

Operating Revenues and Nonoperating Revenues

The Authority's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues. Operating revenues result from consideration received for the operation of the Authority in conjunction with the amended and restated lease and transfer agreement. Nonexchange revenues, including contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2017 and 2016

1. Summary of Significant Accounting Policies, Continued

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue.

Income Taxes

The Authority is a governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been considered in the accompanying financial statements.

Restricted Resources

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

2. Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority. The Authority had no uncollateralized cash balances at July 31, 2017 and 2016.

The carrying amount of deposits included in the Authority's balance sheets is as follows:

	<u>2017</u>	<u>2016</u>
Cash	\$ <u>120,000</u>	\$ <u>100,000</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

July 31, 2017 and 2016

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses, reported as current liabilities by the Authority at July 31, 2017 and 2016, consisted of these amounts:

	<u>2017</u>	<u>2016</u>
Accounts payable and accrued expenses:		
Payable to suppliers	\$ <u>67,000</u>	\$ <u>20,000</u>

4. Litigation

The Authority is subject to litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations.