HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY

MINUTES OF THE FEBRUARY 15, 2018 MEETING

(Open Session)

Attendees:

Authority Board Members: Fred Ghiglieri, Joel Callins, Pastor Charlene Glover, John Hayes, Dr. Kathy Hudson, Dr. Michael Laslie, Ferrell Moultrie, Dr. Tania Smith, and Nyota Tucker

Authority Legal Counsel: Tommy Coleman

Those Present on Behalf of Phoebe Putney Memorial Hospital, Inc.: Joe Austin, Dawn Benson, Jessica Castle, Brian Church, Dr. Steven Kitchen, Dr. Suresh Lakhanpal, Felicia Lewis, Ben Roberts, Joel Wernick

Other Attendees: Dr. Charles Lingle, Dr. James Hotz

Absent Authority Members: None

Open Meeting and Establish a Quorum:

Vice Chair Ghiglieri called the meeting to order at 7:30am in Conference Rooms B & C at Phoebe Northwest. Mr. Ghiglieri thanked all Members for their attendance and participation and he observed that a quorum was present.

Proclamation for Dr. Charles Lingle:

Vice Chair Ghiglieri made a presentation of a Resolution from the Authority honoring Dr. Charles Lingle, for his service to the citizens of Albany and Dougherty County. The Resolution was read by Vice Chair Ghiglieri and a copy of it will be kept with these Minutes. Among Dr. Lingle's following remarks were that he much appreciated the recognition as well as the opportunity to have worked with all of the Authority Members through the years and to be of service to our community in seeking to help bring quality health care to it and to Southwest Georgia.

Oath of Office for New Authority Member:

Dr. Tania Smith was sworn in as the newest member of the Authority. A copy of her signed Oath will be kept with these Minutes.

Approval of the Agenda:

The proposed Agenda had been previously provided to the Authority Members. Vice Chair Ghiglieri recommended swapping Items XII and XIII. A motion to adopt the revised Agenda for the meeting was made by Dr. Kathy Hudson and seconded by Mr. Ferrell Moultrie. A copy of the Agenda as adopted is attached.

Election of Officers for 2018:

Mr. Tommy Coleman pointed out that as contemplated in the Agenda, the Authority would need to elect a new slate of officers for the current year. Mr. Moultrie made a motion to elect Mr. Ghiglieri as Chair. Dr. Hudson seconded the motion, which was approved by all Authority Members in attendance. Dr. Michael Laslie made a motion to elect Mr. Joel Callins as Vice Chair. Pastor Charlene Glover seconded the motion, which was approved by all Authority Members in attendance. Dr. Laslie made a motion to elect Mr. Moultrie as Secretary/Treasurer. Mr. John Hayes seconded the motion, which was approved by all Authority Members in attendance. Chair Ghiglieri made a motion to elect Pastor Glover as the Assistant Secretary/Treasurer. Pastor Glover declined the nomination as she will be relocating out of the area. The Authority opted to leave this position vacant for the time being.

Approval of the Minutes:

The proposed Minutes of the November 16, 2017 open session meeting of the Authority had likewise been provided to Members prior to this meeting and the same were considered for approval. Vice Chair Callins made a motion and Dr. Laslie seconded the motion, to approve the Minutes as previously provided. The motion passed unanimously by vote of all Members.

Certified Authority Audit for FYE 2017:

Brian Church, CFO of PPMH, Inc., presented the Audited Financial Statements for the Authority for the year ending July 31, 2017 and the report also showed the 2016 financial statements for comparison purposes. Discussions, questions, and comments ensued. A bound copy of the Authority Audit was offered to all Authority Members and a copy is retained with these Minutes.

Financial Reports:

Brian Church, CFO of PPMH, Inc., presented and reviewed an interim financial report for the Authority's current fiscal year through December 2017. Mr. Church also reported Moody's and S&P have both affirmed Phoebe's rating as A1 / A+ with a Stable outlook. Mr. Church reported the 2018 Tax Act decreased the federal corporate tax rate from 35% to 21%. Phoebe has a Margin Rate Factor clause in their bank documents to allow the banks to adjust the interest rate if the federal corporate tax rate is decreased. To date, Phoebe has received notice from Bank of America with similar notices from SunTrust and Regions banks expected soon. Mr. Church will update the Members at the August meeting. A copy of the Authority's Financial Statements as presented by Mr. Church is attached.

Mr. Church reported on the Indigent Care Trust Fund which is funded through a variety of mechanisms including hospital provider tax and hospital intergovernmental transfers. He further reported the Georgia Department of Community Health (DCH) pulls funds down to fill in uncompensated care gaps. Phoebe sends in funds to match, and what Phoebe receives back depends on what is going on in other hospitals in the state. Mr. Church stated that Phoebe recommends to the Authority that it authorize the Authority Chair to continue to sign the participation agreements as they are requested by DCH so these funds can be utilized to provide clinical health services to the underserved residents of our community. Pastor Glover made a motion to accept the recommendation as presented, and Ms. Nyota Tucker seconded the motion. The motion passed unanimously by vote of all Members.

PPMH, Inc. CEO and Operational Reports:

Joe Austin, COO of the Hospital and Health System, provided an update on new services, procedures, and access points, a copy of which is attached. Mr. Austin also presented the following *Inside Phoebe with Ben Roberts* videos: Inpatient Rehab and Critical Care.

Dr. Suresh Lakhanpal, President of the Phoebe Physician Group, and Dr. James Hotz, Clinical Services Director of Albany Area Primary Health Care, Inc., presented information on colorectal cancer screenings and the Phoebe Gastro at Meredyth facility, a copy of which is attached. Dr. Lakhanpal reported the collaborative efforts with AAPHC and Horizon Cancer Coalition help provide colonoscopies and other gastro services to those patients without insurance. Dr. Hotz reported on the colon cancer screening challenges facing AAPHC patients and the role Phoebe plays in providing services to those patients.

Mr. John Hayes asked Mr. Austin about future plans for the Phoebe North campus. Mr. Austin reported the campus currently houses inpatient rehab, emergency services, general medical, and laboratory services. Mr. Austin reported long-term plans are still in process but he should have a report for the next Authority meeting.

Consideration of Auditor RFQ:

Chair Ghiglieri reported a three-person Ad Hoc Committee would be formed to review any submitted Auditor RFQs and bring back summaries to Authority. The Ad Hoc Committee members will be Brian Church, Chair Ghiglieri, and Nyota Tucker. A motion was made by Pastor Glover and seconded by Dr. Hudson to recommend approval of the request for quote and the Ad Hoc Committee members. The motion passed unanimously by vote of all Members.

Discussions, questions, and comments ensued regarding recent Open Records requests and social media postings.

2018 Meeting Schedule Approval:

Chair Ghiglieri reported the 2018 Meeting Schedule should be approved by the Members. Vice Chair Callins made a motion to accept the 2018 Meeting Schedule as presented. Pastor Glover seconded the motion and the motion passed unanimously by vote of all Members.

Closing of the Meeting:

A motion was made by Vice Chair Callins, seconded by Dr. Hudson to close the meeting for the purposes of: (i) engaging in privileged consultation with legal counsel; (ii) to discuss potentially valuable commercial plans, proposals or strategies that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital or its medical facilities, or (iii) to discuss confidential matters or information pertaining to peer review or provided by a peer review organization as defined in O.C.G.A.§31-7-131.

Chair Ghiglieri polled each individual Authority Member present with respect to his or her vote on the motion and the vote of each of the Members is shown below, with no Member opposing:

Fred Ghiglieri	Yes
Dr. Michael Laslie	absent (Dr. Laslie departed meeting at 8:30am)
Joel Callins	Yes
Dr. Kathy Hudson	Yes
Dr. Tania Smith	Yes
John Hayes	Yes
Nyota Tucker	Yes
Ferrell Moultrie	Yes
Pastor Charlene Glover	Yes

The motion having passed, the meeting closed.

Open Session Reconvened:

Following unanimous vote of all Members in attendance at the conclusion of the Closed Session, the meeting reopened.

Ms. Tucker requested an update on cost analysis which Chair Ghiglieri said would be added to the next meeting agenda.

Adjournment:

There being no further business the meeting was adjourned.

AGENDA

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

(OPEN SESSION)
Meeting of February 15, 2018
(Phoebe Northwest Conference Rooms)

I.	**Open meeting and establish quorum**	**Fred Ghiglieri, Vice Chair**
II.	**Proclamation for Dr. Charles Lingle**	**Fred Ghiglieri, Vice Chair**
III.	**Welcome New Member – Dr. Tania Smith** a. Oath of Office	**Fred Ghiglieri, Vice Chair**
IV.	**Consider Approval of Agenda (draft previously provided to Members)**	**Fred Ghiglieri, Vice Chair**
V.	**Speaker Appearances**	
VI.	**Election of Officers for 2018**	**Fred Ghiglieri, Vice Chair**
VII.	**Consideration of Open Session Minutes of November 16, 2017 meeting (draft previously provided to Members)**	**Chair**
VIII.	**Certified PPMH Audit for FYE 2017**	**Brian Church**
IX.	**Financial Reports** a. Hospital Authority Financial Update b. Physician Upper Payment Limit Program	**Brian Church**
X.	**Phoebe Putney Memorial Hospital, Inc. CEO and Operational Reports**	
	a. Update on New Services, Procedures, and Access Points	**Joe Austin**
	b. Phoebe Gastro at Meredyth Update	**Suresh Lakhanpal, MD**
XI.	**Consideration of Auditor RFQ**	**Chair**
XII.	**Consideration of vote to close meeting for Executive Session**	**Chair**
XIII.	**Additional Business** a. 2018 Meeting Schedule Approval	**Chair**
XIV.	**Adjournment**	

STATE OF GEORGIA
COUNTY OF DOUGHERTY

AFFIDAVIT RELATIVE TO CLOSED MEETING

Personally appeared before the undersigned, Fred Ghiglieri, who having been duly sworn, deposes and states as follows:

1. I am over the age of 18 years, I am suffering under no disabilities and I am competent to testify to the matters contained herein.

2. I am the Chairman of the Board of the Hospital Authority of Albany-Dougherty County, Georgia (the "Authority") and presided over the Closed Session.

3. On February 15, 2018, at a meeting of the Authority Board, a motion was duly approved in a roll call vote for the Authority Board to go into closed session for the purposes of : (i) engaging in privileged consultation with legal counsel; (ii) to discuss potentially valuable commercial plans, proposals or strategy that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital or its medical facilities; and (iii) to discuss confidential matters or information pertaining to peer review or provided by a review organization as defined in O.C.G.A §31-7-131.

4. To the best of my knowledge and belief, the business conducted during the closed portion of the meeting was devoted solely to the above matters for which the meeting was closed.

This the 15th day of February, 2018.

Fred J. Ghiglieri

Fred Ghiglieri

Sworn to and subscribed before me this
15th day of February, 2018.

Felicia Lewis

NOTARY PUBLIC (SEAL)
Dougherty County, Georgia
My Commission Expires: 2-23-2021

FELICIA LEWIS
My Commission Expires
NOTARY PUBLIC
02-23-2021
LEE COUNTY, GEORGIA

Proclamation for Dr. Charles Lingle

R E S O L U T I O N

Be it resolved on this day February 15, 2018
Albany-Dougherty County Hospital Authority Board of Directors
formally recognizes

CHARLES LINGLE, DVM

for his years of dedicated service.

WHEREAS, Dr. Charles Lingle, a retired veterinarian, has dedicated more than 30 years of his time and service to the citizens of Dougherty County; and

WHEREAS, He earned his bachelor's, master's and a doctorate in veterinary medicine from Kansas State University and faithfully served our country as a Captain in the United States Air Force; and

WHEREAS, For decades Dr. Charles Lingle has been dedicated to the city of Albany and Dougherty County, serving on many civic and community boards, including past president of the Dougherty County Rotary Club, district treasurer of Rotary District 6900, and Lt. Governor for three district governors; and

WHEREAS, He has been dedicated to ensuring our children receive the best educational opportunities, serving for 12 years on the Dougherty County School Board and admirably served the citizens as a member of the Dougherty County Commission for 8 years and a member of the Lower Flint-Ochlockonee Water Planning Council; and

WHEREAS, Charles was involved with Albany Community Hospice, serving on the advisory committee, and played an instrumental role in the site selection for Willson Hospice House; and

WHEREAS, Under his guidance the dedicated nine-member volunteer Authority Board has continued its goal of ensuring the establishment and maintenance of exceptional local healthcare for all citizens of the community through its lease to Phoebe; and

WHEREAS, He is a devoted husband and father of two daughters, who has earned the admiration and respect of his fellow colleagues.

NOW, THEREFORE, BE IT RESOLVED that Dr. Charles Lingle is recognized and thanked for his outstanding service and volunteerism that will benefit the citizens of this community for decades to come.

Approved by the Albany-Dougherty County Hospital Authority, February 15, 2018.

Fred J. Ghiglieri

Fred J. Ghiglieri
Hospital Authority Vice Chair

Welcome New Member
Dr. Tania Smith

OATH OF OFFICE

I, DR. TANIA SMITH, citizen of Dougherty County, Georgia do solemnly swear that I will, to the best of my ability, without favor or affection to any person and without any unauthorized financial gain or compensation to myself, faithfully and fairly discharge all of the duties and responsibilities that devolve upon me as a member of the Hospital Authority of Albany-Dougherty County, during the term of my service as such member.

Tania Smith

DR. TANIA SMITH

Attested to and certified by:

Felicia Lewis

Felicia Lewis
Board Coordinator

(SEAL)

Certified PPMH Audit
FYE 2017

Brian Church

SVP/CFO

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

FINANCIAL STATEMENTS

for the years ended July 31, 2017 and 2016

CONTENTS

Draffin & Tucker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Member:
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Phoebe Putney Memorial Hospital, Inc.
Albany, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Phoebe Putney Memorial Hospital, Inc. (Corporation), which comprise the balance sheets as of July 31, 2017 and 2016, and the related statements of operations and changes in net assets, 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.

Continued

P.O. Box 71309
2617 Gillionville Road
Albany, GA 31708-1309
Tel. (229) 883-7878
Fax (229) 435-3152

Five Concourse Parkway
Suite 1250
Atlanta, GA 30328
Tel. (404) 220-8494
Fax (229) 435-3152

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 Corporation'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 Corporation'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 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 Phoebe Putney Memorial Hospital, Inc. as of July 31, 2017 and 2016, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Draffin & Tucker, LLP
Albany, Georgia
December 6, 2017

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

BALANCE SHEETS, July 31, 2017 and 2016

	(Dollars in Thousands)	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 91,916	$ 49,285
Patient accounts receivable, net of allowance for doubtful accounts of $23,000,000 in 2017 and $34,000,000 in 2016	70,562	97,898
Supplies, at lower of cost (first-in, first-out) or market	12,391	10,587
Estimated third-party payor settlements	8,235	10,383
Other current assets	11,288	11,084
Total current assets	194,392	179,237
Assets limited as to use:		
Internally designated for capital improvements	379	377
Property and equipment, net	288,656	292,454
Other assets:		
Interest in net assets of Phoebe Foundation, Inc.	15,935	17,506
Deferred financing cost	1,170	1,245
Goodwill and other assets	125,428	125,320
Total other assets	142,533	144,071
Total assets	$ 625,960	$ 616,139

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

BALANCE SHEETS, July 31, 2017 and 2016

	(Dollars in Thousands)	
	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 6,599	$ 6,384
Accounts payable	18,332	12,767
Accrued expenses	23,236	25,819
Total current liabilities	48,167	44,970
Long-term debt, net of current portion	276,985	283,517
Accrued pension cost	99,471	129,646
Related party payables	69,270	52,065
Derivative financial instruments	10,392	14,511
Total liabilities	504,285	524,709
Net assets:		
Unrestricted	113,496	80,977
Temporarily restricted	6,155	8,429
Permanently restricted	2,024	2,024
Total net assets	121,675	91,430
Total liabilities and net assets	$ 625,960	$ 616,139

See accompanying notes to financial statements.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
for the years ended July 31, 2017 and 2016

	(Dollars in Thousands)	
	2017	2016
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	$ 600,043	$ 590,607
Provision for bad debts	(100,078)	(91,706)
Net patient service revenue	499,965	498,901
Other revenue	18,603	17,661
Total revenues, gains and other support	518,568	516,562
Expenses:		
Salaries and wages	145,086	148,217
Employee health and welfare	36,411	46,640
Medical supplies and other	207,856	200,116
Purchased services	84,288	85,023
Depreciation and amortization	36,380	39,368
Interest	7,116	6,932
Total expenses	517,137	526,296
Operating income (loss)	1,431	(9,734)
Nonoperating gain (loss):		
Investment and other nonoperating income (loss)	4,504	(3,766)
Excess revenues (expenses)	5,935	(13,500)

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS, Continued
for the years ended July 31, 2017 and 2016

	(Dollars in Thousands)	
	2017	2016
Change in interest in net assets of Phoebe Foundation, Inc.	$ 703	$ 380
Capital contributions	3,500	-
Net actuarial gain (loss)	19,599	(37,895)
Amortization of prior service cost	81	24
Amortization of net loss	2,701	5,004
Increase (decrease) in unrestricted net assets	32,519	(45,987)
Temporarily restricted net assets:		
Change in interest in net assets of Phoebe Foundation, Inc.	(2,274)	1,227
Permanently restricted net assets:		
Change in interest in net assets of Phoebe Foundation, Inc.	-	5
Increase (decrease) in net assets	30,245	(44,755)
Net assets, beginning of year	91,430	136,185
Net assets, end of year	$ 121,675	$ 91,430

See accompanying notes to financial statements.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

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

	(Dollars in Thousands)	
	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 30,245	$(44,755)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,380	39,368
Change in interest in net assets of Phoebe Foundation, Inc.	1,571	(1,612)
Change in derivative financial instruments	(4,119)	4,037
Changes in:		
Receivables	27,336	(741)
Supplies	(1,804)	803
Estimated third-party payor settlements	2,148	(2,344)
Other assets	(237)	(3,491)
Accounts payable and accrued expenses	2,982	(8,631)
Accrued pension cost	(30,175)	29,955
Net cash provided by operating activities	64,327	12,589
Cash flows from investing activities:		
Purchase of property and equipment	(32,515)	(19,698)
Purchases of assets limited as to use	(2)	(2)
Net cash used by investing activities	(32,517)	(19,700)

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

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

	(Dollars in Thousands)	
	2017	2016
Cash flows from financing activities:		
Payments on long-term debt	$(6,384)	$(6,173)
Advances from related parties	17,205	12,933
Net cash provided by financing activities	10,821	6,760
Increase (decrease) in cash and cash equivalents	42,631	(351)
Cash and cash equivalents, beginning of year	49,285	49,636
Cash and cash equivalents, end of year	$ 91,916	$ 49,285
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 7,086	$ 6,720

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Phoebe Putney Memorial Hospital, Inc., (Corporation) located in Albany, Georgia, is a not-for-profit acute care hospital which operates satellite clinics in the surrounding counties. The Corporation provides inpatient, outpatient and emergency care services for residents of Southwest Georgia. Admitting physicians are primarily practitioners in the local area. The Corporation is a single operating entity and is a wholly-owned subsidiary of Phoebe Putney Health System, Inc. (System).

Reorganization

Effective September 1, 1991, the Hospital Authority of Albany-Dougherty County, Georgia (Authority) implemented a reorganization plan for the hospital whereby all the assets, management and governance of the hospital was transferred to Phoebe Putney Memorial Hospital, Inc., a not-for-profit corporation, qualified as an organization described in Section 501(c)(3) of the Internal Revenue Code, pursuant to a lease and transfer agreement. During 2009, the lease term was renewed for an additional forty years with a nominal annual lease payment.

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 Park Hospital, LLC (Palmyra) which was acquired by the Authority on December 15, 2011. The amendment included the extension of the lease for a term of forty years from the date of the current amendment.

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.

Continued

1. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in money market mutual funds.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for self-pay patients was approximately 99% of self-pay accounts receivable at July 31, 2017 and 2016. The Corporation updated its Financial Assistance Policy during 2017 as discussed in Note 2.

Supplies

Supplies, which consist primarily of drugs, food, and medical supplies, are valued at first-in, first-out cost, but not in excess of market.

Continued

1. Summary of Significant Accounting Policies, Continued

Derivative Financial Instruments

The Corporation has entered into interest rate swap agreements as part of its interest rate risk management strategy. These arrangements are accounted for under the provisions of FASB ASC 815 *Derivatives and Hedging*. FASB ASC 815 establishes accounting and reporting standards requiring that derivative instruments be recorded at fair value as either an asset or liability.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of unrestricted net assets. The ineffective component, if any, is recorded in excess revenues (expenses) in the period in which the hedge transaction affects earnings. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in excess revenues (expenses). For derivative instruments not designated as hedging instruments, the unrealized gain or loss is recognized in nonoperating gains (losses) during the period of change.

Assets Limited as to Use

Assets limited as to use include designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess revenues (expenses), unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that

Continued

1. Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Beneficial Interest in Net Assets of Foundation

The Corporation accounts for the activities of Phoebe Foundation, Inc. in accordance with FASB ASC 958-20, *Not-For-Profit Entities, Financially Interrelated Entities*. FASB ASC 958-20 establishes reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. Phoebe Foundation, Inc. accepts assets on behalf of the Corporation.

Goodwill

Goodwill and intangible assets with indefinite lives are tested for impairment annually and more frequently in the event of an impairment indicator. Intangible assets with definite lives are amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

In accordance with the accounting standard, the Corporation assesses goodwill for impairment on an annual basis. See Note 6 for goodwill disclosures. The Corporation assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Corporation determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is required. If the two-step impairment test is determined to be necessary, and in step two the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

Continued

1. Summary of Significant Accounting Policies, Continued

Deferred Financing Cost

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the related debt. Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability. Costs related to the issuance of derivative financial instruments were deferred and are being amortized. The unamortized amounts are included with other assets in the balance sheets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Excess Revenues (Expenses)

The statement of operations and changes in net assets includes excess revenues (expenses). Changes in unrestricted net assets which are excluded from excess revenues (expenses), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Continued

1. Summary of Significant Accounting Policies, Continued

Net Patient Service Revenue, Continued

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Estimated Malpractice and Other Self-Insurance Cost

The provisions for estimated medical malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes

The Corporation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The accounting policies prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Corporation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of July 31, 2017 and 2016 or for the years then ended. The Corporation's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges of long-lived assets in the accompanying statements of operations and changes in net assets for the years ended July 31, 2017 and 2016.

Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Subsequent Event

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through December 6, 2017, the date the financial statements were issued.

Continued

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncement

In 2017, the Corporation adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest-Simplifying the Presentation of Debt Issuance Costs*. The ASU simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. All periods presented in these financial statements and notes to the financial statements reflect the new guidance. The reclassification of fiscal year 2016 amounts did not have a material effect on the financial statements.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2016 financial statements to conform to the fiscal year 2017 presentation. These reclassifications had no impact on the change in net assets in the accompanying financial statements.

2. Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. The Corporation does not believe that there are any significant credit risks associated with receivables due from third-party payors.

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Continued

2. Net Patient Service Revenue, Continued

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

July 31, 2017
Patient Service Revenue
(Net of Contractual Allowances and Discounts)
(Dollars in Thousands)

Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
$ 201,976	$ 93,508	$ 258,191	$ 46,368	$ 600,043

July 31, 2016
Patient Service Revenue
(Net of Contractual Allowances and Discounts)
(Dollars in Thousands)

Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
$ 183,179	$ 90,545	$ 255,212	$ 61,671	$ 590,607

Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 19%, respectively, of the Corporation's net patient revenue for the year ended July 31, 2017 and 37% and 18%, respectively, of the Corporation's net patient revenue for the year ended July 31, 2016. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

Continued

2. Net Patient Service Revenue, Continued

The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

A summary of the payment arrangements with major third-party payors follows:

- Medicare

  Inpatient acute care, rehabilitation, and psychiatric services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare Administrative Contractor (MAC). The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. The Corporation's Medicare cost reports have been audited by the MAC through July 31, 2011.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. The Corporation's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2011.

The Corporation also contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The Corporation participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Corporation receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Corporation's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $4,960,000 and $10,197,000 for the years ended July 31, 2017 and 2016, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $4,173,000 and $2,756,000 for the years ended July 31, 2017 and 2016, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately $6,251,000 and $6,871,000 relating to the Act is included in medical supplies and other in the accompanying statement of operations and changes in net assets for the years ended July 31, 2017 and 2016, respectively.

- Other Arrangements

The Corporation has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

- Uninsured Patients

The Corporation maintains its Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, patients who are eligible individuals will not be charged more for emergency or other medically necessary care than the Amounts Generally Billed (AGB) for individuals who have insurance coverage. The minimum percentage discount to be applied to FAP eligible individuals shall be calculated on an annual basis. AGB is determined by dividing the sum of claims paid the previous fiscal year by Medicare fee-for-service and all private health insurance, including payments received from beneficiaries and insured patients, by the sum of the associated gross charges for those claims.

Continued

3. Uncompensated Services

The Corporation was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2017 and 2016 were approximately $1,060,000,000 and $957,000,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $60,000,000 and $59,000,000 in 2017 and 2016, respectively. The cost of charity and indigent care services provided during 2017 and 2016 was approximately $20,000,000 and $21,000,000, respectively computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2017 and 2016.

	(Dollars in Thousands)	
	2017	2016
Gross patient charges	$ 1,560,154	$ 1,455,599
Uncompensated services:		
Charity and indigent care	59,553	58,823
Medicare	553,457	486,143
Medicaid	200,167	181,964
Other allowances	146,934	138,062
Bad debts	100,078	91,706
Total uncompensated care	1,060,189	956,698
Net patient service revenue	$ 499,965	$ 498,901

Continued

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at July 31, 2017 and 2016 is set forth in the following table. Assets limited as to use are classified as trading. See Note 18 for valuation methodologies.

	Dollars in Thousands	
	2017	2016
By board for capital improvements:		
Certificates of deposit	$ 379	$ 377

Interest income for cash and cash equivalents and assets limited as to use are recorded in investment and other nonoperating income (loss) on the statements of operations and changes in net assets.

5. Property and Equipment

A summary of property and equipment at July 31, 2017 and 2016 follows:

	(Dollars in Thousands)	
	2017	2016
Land	$ 12,068	$ 12,128
Land improvements	3,625	3,583
Building	353,723	339,506
Equipment	395,321	378,298
	764,737	733,515
Less accumulated depreciation	487,091	451,845
	277,646	281,670
Construction in progress	11,010	10,784
Net property and equipment	$ 288,656	$ 292,454

Depreciation expense for the years ended July 31, 2017 and 2016 amounted to approximately $36,313,000 and $39,368,000, respectively.

Continued

6. Goodwill and Other Assets

A summary of goodwill and other assets at July 31, 2017 and 2016 follows:

	(Dollars in Thousands)	
	2017	2016
Goodwill	$ 124,992	$ 124,992
Other assets	436	328
Total goodwill and other assets	$ 125,428	$ 125,320

Goodwill is related to the Corporation's purchase of health care clinics and lease of Palmyra, formerly purchased by the Authority. The goodwill is evaluated annually for impairment.

The changes in the carrying amount of goodwill for the years ended July 31, 2017 and 2016, are as follows:

	(Dollars in Thousands)	
	2017	2016
Balance at beginning of year:		
Goodwill	$ 168,921	$ 168,921
Accumulated impairment losses	(43,929)	(43,929)
	124,992	124,992
Goodwill acquired during the year	-	-
Impairment losses	-	-
Balance at end of year:		
Goodwill	168,921	168,921
Accumulated impairment losses	(43,929)	(43,929)
Total	$ 124,992	$ 124,992

Continued

7. Long-Term Debt

Long-term debt for the years ended July 31, 2017 and 2016 follows:

	(Dollars in Thousands)	
	2017	2016
2012 Series Revenue Anticipation Certificates, payable in varying annual amounts from $940,000 to $16,285,000 in 2043; bearing interest at fixed rates from 2.00% to 5.00%. Net of unamortized issue costs of $824,000 and $857,000 at July 31, 2017 and 2016, respectively.	$ 98,231	$ 100,698
2008A Series Refunding Revenue Anticipation Certificates, payable in varying annual amounts from $1,835,000 to $3,795,000 in 2033; bearing interest at a variable rate based on a percentage of LIBOR plus a credit spread. Net of unamortized issue costs of $175,000 and $186,000 at July 31, 2017 and 2016, respectively.	41,600	43,369
2008B Series Refunding Revenue Anticipation Certificates, payable in varying annual amounts from $1,835,000 to $3,790,000 in 2033; bearing interest at a variable rate based on a percentage of LIBOR plus a credit spread. Net of unamortized issue costs of $175,000 and $186,000 at July 31, 2017 and 2016, respectively.	41,530	43,289

Continued

7. Long-Term Debt, Continued

	(Dollars in Thousands)	
	2017	2016
2010A-1 Revenue Anticipation Certificates, payable in varying annual amounts from $52,000 to $7,010,000 in 2040; bearing interest at a variable rate based on a percentage of LIBOR plus a credit spread. Net of unamortized issue costs of $169,000 and $177,000 at July 31, 2017 and 2016, respectively.	$ 59,756	$ 59,823
2010A-2 Revenue Anticipation Certificates, payable in varying annual amounts from $33,000 to $4,345,000 in 2040; bearing interest at a variable rate based on a percentage of LIBOR plus a credit spread. Net of unamortized issue costs of $106,000 and $110,000 at July 31, 2017 and 2016, respectively.	37,039	37,080
	278,156	284,259
Less current portion	6,599	6,384
	271,557	277,875
Add unamortized premium	5,428	5,642
	$ 276,985	$ 283,517

Continued

7. Long-Term Debt, Continued

The Series 2008A and 2008B Refunding Revenue Certificates were issued on October 30, 2008 for the purposes of refunding certain revenue certificates which financed the costs of making certain additions, extensions, and capital improvements to the Corporation's health care system. The Series 2008A and 2008B Refunding Revenue Certificates were reissued on December 7, 2012 and the interest rates were converted from a daily variable rate with security provided by bank letters of credit to a variable rate based on a percentage of LIBOR plus a credit spread. The Series 2008A and 2008B Refunding Revenue Certificates were reissued again on February 2, 2015 and the interest rates were converted from a variable rate based on a percentage of LIBOR plus a credit spread to a new variable rate based on a percentage of LIBOR plus a credit spread. The Corporation may convert the interest rate upon compliance with terms and provisions of the related indenture.

The Series 2010A Revenue Certificates were issued on July 9, 2010 for the purpose of reimbursing the Corporation for prior additions, extensions and improvements to the Corporation's facilities. The Series 2010A Revenue Certificates were reissued on February 2, 2015 as Series 2010A-1 Revenue Certificates and Series 2010A-2 Revenue Certificates, respectively, and the interest rate was converted from a variable rate based on a percentage of LIBOR plus a credit spread to a new variable rate based on a percentage of LIBOR plus a credit spread. The Corporation may convert the interest rate upon compliance with terms and provisions of the related indenture.

The Series 2012 Revenue Certificates were issued on December 1, 2012 for the purposes of financing the costs of making certain additions, extensions, and capital improvements to its health care system. The Series 2012 Revenue Certificates bear interest at fixed rates from 2.00% to 5.00%.

Series 2008A, 2008B, 2010A-1, 2010A-2 and 2012 Revenue Certificates are secured by all receipts of, and revenue, income and money derived from the Corporation's operation of the Hospital premises.

The outstanding notes securing the Series 2008A, 2008B, 2010A-1, 2010A-2 and 2012 Revenue Certificates were issued pursuant to the Master Trust Indenture dated as of March 1, 2002, as amended, among the Corporation, the System and U.S. Bank National Association, as master trustee. Under the terms of the Master Trust Indenture, the Corporation is limited on the incurrence of additional borrowings and requires that the Corporation satisfy certain measures of financial performance as long as the notes are outstanding.

Continued

7. Long-Term Debt, Continued

Scheduled principal repayments on long-term debt for the next five years are as follows:

(Dollars in Thousands)

Year	2008A	2008B	2010A-1	2010A-2	2012	Total
2018	$ 1,860	$ 1,850	$ 52	$ 33	$ 2,590	$ 6,385
2019	1,835	1,835	136	84	2,755	6,645
2020	2,065	2,065	-	-	2,790	6,920
2021	2,285	2,285	-	-	2,600	7,170
2022	2,020	2,020	1,516	939	940	7,435
Thereafter	31,710	31,650	58,221	36,089	87,380	245,050
Total	$ 41,775	$ 41,705	$ 59,925	$ 37,145	$ 99,055	$ 279,605

8. Derivative Financial Instruments

The Corporation entered into fixed pay and constant maturity swaps to effectively swap variable interest rates to fixed interest rates thus reducing the impact of interest rate changes on future interest expense. The fair market value of the swaps are reported in noncurrent liabilities on the balance sheet. The critical terms of the swaps are as follows:

$25MM Fixed Pay LIBOR Swap – Non-Hedge
(Dollars in Thousands)

	2017	2016
Notional amount	$ 21,627	$ 21,874
Fair market value	$(4,648)	$(6,676)
Life remaining on swap	15 Years	16 Years

$25MM Fixed Pay LIBOR Swap – Non-Hedge
(Dollars in Thousands)

	2017	2016
Notional amount	$ 21,627	$ 21,874
Fair market value	$(4,380)	$(6,369)
Life remaining on swap	15 Years	16 Years

Continued

8. Derivative Financial Instruments, Continued

$21.145MM Fixed Pay LIBOR Swap – Non-Hedge
(Dollars in Thousands)

	2017	2016
Notional amount	$ 18,292	$ 18,501
Fair market value	$(3,705)	$(5,387)
Life remaining on swap	15 Years	16 Years

Constant Maturity LIBOR Swap – Non-Hedge
(Dollars in Thousands)

	2017	2016
Notional amount	$ 34,720	$ 35,945
Fair market value	$ 1,001	$ 1,470
Life remaining on swap	15 Years	16 Years

Constant Maturity LIBOR Swap – Non-Hedge
(Dollars in Thousands)

	2017	2016
Notional amount	$ 34,720	$ 35,945
Fair market value	$ 931	$ 1,509
Life remaining on swap	15 Years	16 Years

Constant Maturity LIBOR Swap – Non-Hedge
(Dollars in Thousands)

	2017	2016
Notional amount	$ 69,440	$ 71,890
Fair market value	$ 408	$ 942
Life remaining on swap	1 Year	2 Years

Continued

8. Derivative Financial Instruments, Continued

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps has been adjusted to fair value at the end of the year which, because of changes in forecasted levels of the LIBOR, resulted in reporting a liability. The Corporation deemed the capacity to perform on the part of the derivative counterparty to be of little or no concern; and no adjustment was applied to standard market valuation practices.

The swap results are included in excess revenues (expenses). For the years ending July 31, 2017 and 2016, this earning impact totaled approximately $4,119,000 and $(4,037,000), respectively.

9. Temporarily and Permanently Restricted Net Assets

A summary of the restricted net assets at July 31, 2017 and 2016 follows:

	(Dollars in Thousands)	
	2017	2016
Temporarily Restricted Net Assets		
Donor restricted investments	$ 6,155	$ 8,429
Permanently Restricted Net Assets		
Restricted investments to be held in perpetuity by Phoebe Foundation, Inc.	$ 2,024	$ 2,024

10. Pension Plan

The Corporation has a defined benefit pension plan covering all full time regular employees working 1,000 hours or more in a twelve-month period with an employment date before December 31, 2006. The plan provides benefits that are based upon earnings and years of service. The Corporation's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Continued

10. Pension Plan, Continued

The measurement dates were July 31, 2017 and 2016. The Corporation issues a publicly available financial report that includes financial statements and required supplementary information for the Retirement Plan for Employees of Phoebe Putney Health System, Inc. That report may be obtained by contacting the management of the Corporation.

Effective December 31, 2014, the Corporation amended the pension plan to freeze all benefit accruals except for participants whose combined age and credited service equaled or exceeded 70 by the effective date. On July 28, 2016, the Corporation executed an amendment to permit vested terminated participants with an accrued benefit of $150,000 or less to make an election during the period September 2, 2016 through November 1, 2016 to receive a lump sum distribution. This amendment was effective December 1, 2016 and eligibility was based on the benefit accruals as of December 1, 2016. Such distributions were made during the period December 1, 2016 through December 31, 2016. Effective December 31, 2016, the Corporation amended the pension plan to freeze all benefit accruals for all remaining participants.

The following table sets forth the defined benefit pension plan funded status and amounts recognized in the financial statements at July 31, 2017 and 2016:

	(Dollars in Thousands)	
	2017	2016
Plan assets at fair value at July 31	$ 200,338	$ 191,320
Projected benefit obligation at July 31	299,809	320,966
Funded status	$(99,471)	$(129,646)
Amounts recognized in the consolidated balance sheet consist of:		
Noncurrent liabilities	$(99,471)	$(129,646)

Continued

10. Pension Plan, Continued

	(Dollars in Thousands)	
	2017	2016
Amounts recognized in unrestricted net assets:		
Net actuarial loss	$(102,919)	$(125,219)
Prior service cost not yet recognized in net periodic pension cost	-	(81)
Deferred pension cost	$(102,919)	$(125,300)
Weighted-average assumptions used to determine pension benefit obligations:		
Discount rate	4.05%	3.87%
Rate of compensation increase	2.50%	2.50%
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	3.87%	4.60%
Expected long-term return on plan assets	7.00%	7.75%
Rate of compensation increase	2.50%	4.00%

Mortality table assumptions used to determine pension benefit obligations were RP-2006 Employee and Healthy Annuitant Mortality Tables with Fully Generational Projections using MP2016 and MP2015 for 2017 and 2016, respectively.

The Corporation's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Continued

10. Pension Plan, Continued

The following table sets forth the components of net periodic cost and other amounts recognized in unrestricted net assets for the years ended July 31, 2017 and 2016:

	(Dollars in Thousands)	
	2017	2016
Service cost	$ 1,032	$ 3,259
Interest cost	9,714	11,454
Expected return on plan assets	(12,947)	(15,200)
Amortization of prior service cost	6	24
Amortization of recognized net actuarial loss	2,701	5,004
Gain due to curtailment	75	-
Net periodic benefit cost	581	4,541
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial (gain) loss	(19,599)	37,895
Amortization of prior service cost	(81)	(24)
Amortization of net actuarial loss	(2,701)	(5,004)
Total recognized in unrestricted net assets	(22,381)	32,867
Total recognized in net periodic benefit cost and unrestricted net assets	$(21,800)	$ 37,408

Continued

10. Pension Plan, Continued

	(Dollars in Thousands)	
	2017	2016
Projected benefit obligation, beginning of year	$ 320,966	$ 296,814
Service cost	1,032	3,259
Interest cost	9,714	11,454
Actuarial (gain) loss	(9,183)	18,010
Benefits paid	(19,992)	(8,571)
Gain due to curtailment	(2,728)	-
Projected benefit obligation, end of year	$ 299,809	$ 320,966
Accumulated benefit obligation	$ 299,809	$ 317,897

The change in fair value of plan assets for the years ended July 31, 2017 and 2016 included the following components:

	(Dollars in Thousands)	
	2017	2016
Plan assets at fair value, beginning of year	$ 191,320	$ 197,124
Actual return on assets	20,635	(4,686)
Employer contributions	8,375	7,453
Benefits paid	(19,992)	(8,571)
Plan assets at fair value, end of year	$ 200,338	$ 191,320

The Corporation anticipates making a contribution during fiscal year 2018 of $7,668,000.

Continued

10. Pension Plan, Continued

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(Dollars in Thousands)

Year Ending July 31	Pension Benefits
2018	$ 11,536
2019	$ 12,331
2020	$ 12,961
2021	$ 13,496
2022	$ 14,188
2023 – 2027	$ 79,413

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at July 31, 2017.

The actuarial loss and prior service cost to be recognized during the next 12 months beginning August 1, 2017 is as follows:

	(Dollars in Thousands)
Amortization of net actuarial loss	$ 2,816
Amortization of prior year service costs	-
Total	$ 2,816

Continued

10. Pension Plan, Continued

Estimated Future Benefit Payments, Continued

The composition of plan assets at July 31, 2017 and 2016 is as follows:

	Target Allocation	Plan Assets	
		2017	2016
Asset category:			
U.S. equities	30%	23%	22%
Non U.S. equities	20%	18%	16%
Emerging markets	5%	7%	6%
Hedge funds	15%	19%	15%
Real assets	5%	9%	10%
Opportunistic funds	5%	7%	9%
Fixed income	20%	14%	18%
Cash and cash equivalents	0%	3%	4%
Total	100%	100%	100%

The Corporation's investment strategy is to manage the portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds. The portfolio is diversified by investing in multiple types of investment-grade securities. The investment policy requires assets of the plan to be primarily invested in securities with at least an investment grade rating to minimize interest rate and credit risk. The plan assets are long-term in nature and are intended to generate returns while preserving capital.

Pension assets are invested in various classes as summarized in the table below for 2017 and 2016. The allocation between different investment vehicles is determined by the Corporation, based on current market conditions, short-term and long-term market outlooks, and cash needs for distributions and plan expenses. Assumptions for expected returns on plan assets are based on historical performance, long-term market outlook, and a diversified investment approach designed to provide steady, consistent returns that minimize market fluctuations. The Corporation utilizes the services of a professional investment advisor in the selection of individual fund managers. The investment advisor tracks the performance of each fund manager and makes recommendations for redistributions, as needed, to comply with targeted allocations or to replace underperforming funds.

Continued

10. Pension Plan, Continued

The Corporation attempts to mitigate investment risk by rebalancing between investment classes as the Corporation's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains or losses would not be realized unless the investments are sold.

The fair values of the Corporation's pension plan assets at July 31, 2017 and 2016, by asset category are as follows:

	(Dollars in Thousands)			
	Fair Value Measurements at July 31, 2017			
Asset Category	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 5,761	$ 15	$ 5,746	$ -
Equity securities	5,045	5,015	30	-
Real estate investment trusts	6,265	6,265	-	-
Total assets in fair value hierarchy	17,071	$ 11,295	$ 5,776	$ -
Investments measured at net asset value	183,267			
Total assets at fair value	$ 200,338			

Continued

10. Pension Plan, Continued

(Dollars in Thousands)

Fair Value Measurements at July 31, 2016

Asset Category	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 8,392	$ -	$ 8,392	$ -
Equity securities	5,727	5,688	39	-
Real estate investment trusts	6,197	6,197	-	-
Total assets in fair value hierarchy	20,316	$ 11,885	$ 8,431	$ -
Investments measured at net asset value	171,004			
Total assets at fair value	$ 191,320			

Continued

10. Pension Plan, Continued

The following table sets forth additional information for assets valued at NAV as a practical expedient:

	as of July 31, 2017			
	(Dollars in Thousands)			
	Fair Value	Unfunded Commitments	Restrictions on Redemption Frequency	Redemption Notice Period
Mutual funds – fixed income funds	$ 5,829	None	Monthly	10 Business Days
Mutual funds – index funds	$ 33,795	None	Daily	15 Days
Mutual funds – growth and other funds	$ 6,948	None	Daily	None
Alternative investments:				
Hedge fund – credit opportunities	$ 5,178	None	Annually	90 Days
Hedge fund – multi-strategy	$ 14,736	None	Quarterly – Annually	45 – 95 Days
Hedge fund – long/short equity	$ 16,199	None	Quarterly – Annually	30 – 180 Days
Hedge fund – other	$ 9,260	None	Monthly	3 Business Days
Common collective trusts invested in equity securities	$ 55,065	None	Monthly	10 Business Days – 30 Days
Limited partnerships invested in equity securities	$ 36,257	$ 297	Semi-Monthly – Quarterly	7 – 60 Days

	as of July 31, 2016			
	(Dollars in Thousands)			
	Fair Value	Unfunded Commitments	Restrictions on Redemption Frequency	Redemption Notice Period
Mutual funds – fixed income funds	$ 14,466	None	Monthly	10 Business Days – 30 Days
Mutual funds – index funds	$ 33,003	None	None	15 Days
Mutual funds – growth and other funds	$ 6,046	None	None	None
Alternative investments:				
Hedge fund – credit opportunities	$ 4,626	None	Annually	90 Days
Hedge fund – multi-strategy	$ 13,179	None	Quarterly – Annually	45 – 95 Days
Hedge fund – long/short equity	$ 15,718	None	Monthly – Annually	30 – 180 Days
Hedge fund – other	$ 6,031	None	Monthly – Quarterly	3 Business Days – 33 Days
Common collective trusts invested in equity securities	$ 46,589	None	Monthly	10 Business Days – 30 Days
Limited partnerships invested in equity securities	$ 31,346	$ 639	Semi-Monthly – Quarterly	7 – 60 Days

10. Pension Plan, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. See Note 18 for valuation methodologies.

Defined Contribution Pension Plan

The Corporation maintains defined contribution pension plans covering substantially all eligible employees. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the Corporation matches 50% of each participant's voluntary contributions up to a maximum of 4% of the employee's annual salary. Effective January 1, 2017, the Corporation increased its match to 50% of each participant's voluntary contributions up to a maximum of 6% of the employee's annual salary. At its discretion, the Corporation may make additional contributions to the Plan. Matching and discretionary contribution expenses for the years ended July 31, 2017 and 2016 totaled approximately $1,009,000 and $3,648,000, respectively.

11. Employee Health Insurance

The Corporation has a self-insurance program under which a third-party administrator processes and pays claims. The Corporation reimburses the third-party administrator for claims incurred and paid. In addition, the Corporation participates in a shared group financing layer agreement with other Georgia hospitals through a program offered by Georgia ADS, LLC. The program is designed to provide for the financing and payment of covered claims. For fiscal year 2016 through December 31, 2015, the claims included in the financing program were covered claims between $150,000 and $500,000. Effective January 1, 2016, the parameters of the program changed to include covered claims between $225,000 and $650,000. Each participant in the program is responsible for a portion of the shared claims based on their percentage of the total claims for the group. Additional insurance has been obtained to provide coverage for claims exceeding $650,000. Total expenses related to this plan were approximately $17,394,000 and $22,500,000 for 2017 and 2016, respectively.

Continued

12. Malpractice Insurance

Effective August 1, 2006, Phoebe Putney Indemnity, LLC (PPI), located in South Carolina, issued a claims-made policy covering professional and general liabilities, personal injury, advertising injury liability, and contractual liability of the Corporation with a retroactive date of January 1, 1990. Under the policy, the limit of liability is $5,000,000 per occurrence, with an annual aggregate of $27,000,000 at July 31, 2017 and 2016.

Effective August 1, 2015, PPI purchased excess of loss reinsurance coverage in order to limit its financial exposure to large claims relating to employed physicians and surgeons. Under the per risk coverage, the reinsurer shall pay up to $750,000 per loss, per insured, in excess of $250,000 per loss, per insured. Under the clash coverage, the reinsurer shall pay up to $750,000 per loss occurrence, in excess of $250,000 per loss occurrence. The maximum amount recoverable for both of these coverage's combined shall not exceed 40% of the subject premium or $6,000,000, whichever is greater. Under the excess of limits coverage, the reinsurer shall pay up to $4,000,000 per loss, per insured, in excess of $1,000,000, per loss, per insured. The maximum amount recoverable for this coverage shall not exceed $8,000,000. The reinsurance treaty provides for adjustable premiums based on ceded losses up to a stated maximum.

The System has also purchased excess liability coverage which includes coverage of the Corporation. The limits of the policy are $50,000,000 per occurrence and in aggregate in excess of the PPI coverage of $5,000,000. All of the risk related to this coverage has been ceded to unrelated reinsurers via a contract of reinsurance.

Various claims and assertions have been made against the Corporation in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Continued

13. Concentrations of Credit Risk

The Corporation is located in Albany, Georgia. The Corporation grants credit without collateral to its patients, most of whom are residents of Southwest Georgia and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at July 31, 2017 and 2016 was as follows:

	2017	2016
Medicare	33%	38%
Medicaid	19%	18%
Blue Cross	13%	10%
Commercial	22%	21%
Patients	13%	13%
Total	100%	100%

At July 31, 2017, the Corporation had deposits at major financial institutions which exceeded the $250,000 Federal Deposit Insurance Corporation limits. Management believes the credit risks related to these deposits is minimal.

14. Related Party Payables

	(Dollars in Thousands)	
	2017	2016
Due to Phoebe Putney Health System, Inc.	$(69,366)	$(52,124)
Due from other related parties	96	59
Net related party payables	$(69,270)	$(52,065)

The related party transactions that affect the above receivables and payables arise from the sharing of services and costs.

Continued

15. Related Organization

Phoebe Foundation, Inc. (Foundation) was established to raise funds to support the operation of the Corporation. The Foundation's bylaws provide that all funds raised, except for funds required for the operation of the Foundation, be distributed to or be held for the benefit of the Corporation. The Foundation's general funds, which represent the Foundation's unrestricted resources, are distributed to the Corporation in amounts and in periods determined by the Foundation's Board of Directors, who may also restrict the use of general funds for hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundation are distributed to the Corporation as required to comply with the purposes specified by donors. The Corporation's interest in the net assets of the Foundation is reported as an other asset in the balance sheets.

	(Dollars in Thousands)	
	2017	2016
Assets:		
Cash and cash equivalents	$ 3,435	$ 5,555
Investments	12,098	11,371
Other assets	836	589
Due from related parties	-	10
Total assets	$ 16,369	$ 17,525
Liabilities and net assets:		
Accounts payable	$ 433	$ 19
Due to related parties	1	-
Total liabilities	434	19
Net assets	15,935	17,506
Total liabilities and net assets	$ 16,369	$ 17,525

Continued

15. Related Organization, Continued

	(Dollars in Thousands)	
	2017	2016
Revenue and support	$ 5,480	$ 839
Expenses	4,750	970
Excess of revenue and support (expenses)	730	(131)
Restricted contributions	1,727	1,682
Net assets released from restriction and other changes in net assets	(4,028)	61
Net assets, beginning of year	17,506	15,894
Net assets, end of year	$ 15,935	$ 17,506

16. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	(Dollars in Thousands)	
	July 31,	
	2017	2016
Patient care services	$ 404,376	$ 411,313
General and administrative	112,761	114,983
Total	$ 517,137	$ 526,296

Continued

17. Fair Values of Financial Instruments

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

- *Cash and cash equivalents:* The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

- *Assets limited as to use:* Amounts reported in the balance sheet approximate fair value. See Note 18 for fair value measurement disclosures.

- *Accounts payable and accrued expenses:* The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

- *Estimated third-party payor settlements:* The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

- *Derivative financial instruments:* The carrying amount reported in the balance sheet for derivative financial instruments approximates its fair value. See Note 18 for fair value measurement disclosures.

- *Long-term debt:* Fair values of the Corporation's revenue notes are based on current traded value. The carrying amount reported in the balance sheet for debt totals approximately $285,033,000 and $291,416,000 at July 31, 2017 and 2016, respectively, with a fair value of approximately $287,455,000 and $297,581,000, respectively. Based on inputs used in determining the estimated fair value, the Corporation's long-term debt would be classified as Level 2 in the fair value hierarchy.

Continued

18. Fair Value Measurement

Following is a description of the valuation methodologies used for assets and liabilities at fair value. There have been no changes in the methodologies used at July 31, 2017 and 2016.

- *Money market funds and certificates of deposit:* Valued at amortized cost, which approximates fair value.

- *Equity securities:* Certain equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Other equity securities are valued based on quoted prices for similar investments in active or inactive markets or valued using observable market data.

- *Mutual funds and alternative investments in hedge funds:* Certain mutual funds are valued at closing price reported on the active market on which the individual securities are traded. Other mutual funds are valued at the net asset value (NAV) of shares held at year end. Certain investments invest in a variety of growth and value assets. Management of the funds has the ability to shift investments as they feel necessary to meet established goals.

- *Real estate investment trusts:* These exchange traded investments are valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

- *Common collective trusts:* Valued using net asset value (NAV). The NAV's are based on fair value, determined based on prices quoted and published by the investment manager of the accounts. Quoted prices are determined based on fair value of the underlying assets.

Continued

18. Fair Value Measurement, Continued

- *Limited partnerships invested in equity securities:* Valued at net asset value (NAV) which is determined by the underlying assets held by the limited partnerships. The limited partnerships invest in a variety of equity securities, some of which do not have readily available market prices. In the absence of readily available market prices, the fair values are estimated by the investment managers of those equity securities. Estimated values may differ from the values that would have been used if readily available market prices existed or if the equity securities were liquidated at the valuation date.

- *Derivatives:* Valued using forward LIBOR curves. Values are then verified against counterparty mark-to-market valuations.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of liabilities measured on a recurring basis at July 31, 2017 and 2016 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets For Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
July 31, 2017				
Liabilities:				
Derivatives	$ 10,392	$ -	$ 10,392	$ -
July 31, 2016				
Liabilities:				
Derivatives	$ 14,511	$ -	$ 14,511	$ -

Continued

18. Fair Value Measurement, Continued

Following is a description of the valuation methodologies used and investment strategies for assets measured using NAV as a practical expedient.

- *Mutual funds – fixed income funds:* The fixed income mutual funds seek to provide a high level of current income while preserving principal by primarily investing in a portfolio of domestic and international debt securities with an investment grade or better and with a dollar weighted average maturity between three and ten years.

- *Mutual funds – index funds:* The index mutual funds are invested in a variety of large cap domestic companies that are members of the indices. Members of the indices are determined each year during annual reconstruction and enhanced quarterly with the addition of initial public offerings.

- *Mutual funds – growth and other funds:* The growth and other mutual funds seek to provide a high level of return through the allocation of investments among both small cap investments and mortgage-backed securities.

- *Alternative investments in hedge funds:* The objective of the hedge funds is to use leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns while maintaining minimal risk.

- *Common collective trusts invested in equity securities (CCTs):* The CCTs seek to provide high returns by investing in small and large cap securities, distressed securities, as well as the acquisition of controlling interests with equity.

- *Limited partnerships invested in equity securities:* The limited partnerships invested in equity securities seek to provide risk-adjusted returns by investing in a mixture of domestic and international highly liquid equities, equities in global real estate markets, and equities in consumer markets.

Continued

19. Commitments and Contingencies

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Corporation has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

There has been increasing pressure on Congress and state legislatures to control and reduce the cost of healthcare on the national or at the state level. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms, and various individual and business mandates among other provisions. The costs of these provisions are and 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 Corporation.

Litigation

The Corporation is involved in 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 Corporation's future financial position or results from operations. See malpractice insurance disclosures in Note 12.

Other

On May 18, 2017, a group submitted to the Georgia Department of Community Health, a certificate of need application for a new hospital to be located within the Corporation's services area. On November 15, 2017, the Georgia Department of Community Health approved the group's certificate of need. No consideration has been given in the financial statements to the approved certificate of need.

Continued

20. Electronic Health Record Incentive Payments

The Health Information Technology for Economic and Clinical Health Act (HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals.

Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in Medicare reimbursements beginning in FY 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

The final rule set the earliest interim payment date for the incentive payment at May 2011. The first year of the Medicare portion of the program is defined as the federal government fiscal year October 1, 2010 to September 30, 2011.

The Corporation recognizes income related to the Medicare and Medicaid incentive payments using a grant model based upon when it has determined that it is reasonably assured that the Hospital will be meaningfully using EHR technology for the applicable period and the cost report information is reasonably estimable.

The Corporation successfully demonstrated meeting meaningful use of its certified EHR technology for fiscal year 2017 and 2016. The Corporation applied for and received approval from Medicare and Medicaid notifying the Corporation qualified for approximately $-0- and $600,000, respectively, which has been recorded in other revenue. Approximately $-0- and $600,000 of the payments are accrued in other current assets at July 31, 2017 and 2016, respectively.

Draffin & Tucker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Member:
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Phoebe Putney Memorial Hospital, Inc.
Albany, Georgia

We have audited the financial statements of Phoebe Putney Memorial Hospital, Inc. as of and for the years ended July 31, 2017 and 2016 and our report thereon dated December 6, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in this report on pages 52 to 59, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP
Albany, Georgia
December 6, 2017

P.O. Box 71309
2617 Gillionville Road
Albany, GA 31708-1309
Tel. (229) 883-7878
Fax (229) 435-3152

Five Concourse Parkway
Suite 1250
Atlanta, GA 30328
Tel. (404) 220-8494
Fax (229) 435-3152

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY
July 31, 2017

Phoebe Putney Memorial Hospital, Inc. (Corporation) is a not-for-profit health care organization that exists to serve the community. The Corporation opened in 1911 to serve the community by caring for the sick regardless of ability to pay. As a tax-exempt hospital, the Corporation has no stockholders or owners. All revenue after expenses is reinvested in the mission to care for the citizens of the community – into clinical care, health programs, state-of-the-art technology and facilities, research, and teaching and training of medical professionals now and for the future.

The Corporation operates as a charitable organization consistent with the requirements of Internal Revenue Code Section 501(c)(3) and the "community benefit standard" of IRS Revenue Ruling 69-545. The Corporation takes seriously its responsibility as the community's safety net hospital and has a strong record of meeting and exceeding the charitable care and the organizational and operational standards required for federal tax-exempt status. The Corporation demonstrates a continued and expanding commitment to meeting its mission and serving the citizens by providing community benefits. A community benefit is a planned, managed, organized, and measured approach to meeting identified community health needs, requiring a partnership between the healthcare organization and the community to benefit residents through programs and services that improve health status and quality of life.

The Corporation improves the health and well-being of Southwest Georgia through clinical services, education, research and partnerships that build health capacity in the community. The Corporation provides community benefits for every citizen in its service area as well as for the medically underserved. The Corporation conducts community needs assessments and pays close attention to the needs of low income and other vulnerable persons and the community at large. The Corporation often works with community groups to identify needs, strengthen existing community programs and plan newly needed services. It provides a wide-ranging array of community benefit services designed to improve community health and the health of individuals and to increase access to health care, in addition to providing free and discounted services to people who are uninsured and underinsured. The Corporation's excellence in community benefit programs was recognized by the prestigious Foster McGaw Prize awarded to the Corporation in 2003 for its broad-based outreach in building collaboratives that make measurable improvements in health status, expand access to care and build community capacity, so that patients receive care closest to their own neighborhoods. Drawing on a dynamic and flexible structure, the community benefit programs are designed to respond to assessed needs and are focused on upstream prevention.

As Southwest Georgia's leading provider of cost-effective, patient-centered health care, the Corporation is also the region's largest employer with more than 3,600 members of the Corporation Family caring for patients. The Corporation participates in the Medicare and Medicaid programs and is one of the leading providers of Medicaid services in Georgia.

See independent auditor's report on supplemental information.

SERVICE TO THE COMMUNITY, Continued
July 31, 2017

The following table summarizes the amounts of charges foregone (i.e., contractual adjustments) and estimates the losses incurred by the Corporation due to inadequate payments by these programs and for indigent/charity. This table does not include discounts offered by the Corporation under managed care and other agreements:

	Charges Foregone	Estimated Unreimbursed Cost
Medicare	$ 553,000,000	$ 183,000,000
Medicaid	200,000,000	66,000,000
Indigent/charity	60,000,000	20,000,000
	$ 813,000,000	$ 269,000,000

Indigent/Charity Care by County

The Corporation provided care to a total of 9,002 Indigent/Charity patients during 2017. These patients came from numerous counties throughout Georgia and surrounding states. The following table summarizes the amounts of charges foregone and estimates the losses incurred by the Corporation by county.

County	Charges Foregone	Estimated Unreimbursed Cost
Dougherty	$ 36,000,000	$ 12,000,000
Lee	5,000,000	1,800,000
Worth	3,300,000	1,000,000
Mitchell	2,500,000	800,000
Sumter	2,000,000	700,000
Terrell	1,800,000	600,000
Randolph	1,000,000	300,000
Tift	1,000,000	300,000
Calhoun	700,000	200,000
Macon	600,000	200,000
Other Georgia	5,700,000	2,000,000
Out of State	400,000	100,000
Total	$ 60,000,000	$ 20,000,000

See independent auditor's report on supplemental information.

The following is a summary of the community benefit activities and health improvement services offered by the Corporation and illustrates the activities and donations during fiscal year 2017.

I. Community Health Improvement Services

A. Community Health Education

The Corporation provided health education services that reached 4,122 individuals in 2017 at a cost of $250,436. These services included the following free classes and seminars:

- Nutrition and Diabetes Education
- Stroke Awareness
- Camp Good Grief
- Teen Maze
- Various School Based Health Fairs
- Go Noodle Activity Programs
- Health Teacher Training
- Cancer Prevention
- Heart Disease

Men's and Women's Health Conferences

The Men's and Women's Conferences attracted approximately 1,339 participants. These conferences provided blood pressure, glucose, and cholesterol and BMI screenings for each participant and were made possible by a broad coalition of providers such as Faith-based Initiative, Heart and Cancer Society, SWGA Cancer Coalition, and Public Health among others. The total costs for all conferences and other health fairs was $18,180 to include 3,997 participants.

Network of Trust

This is a nationally recognized program aimed at teen mothers to provide parenting skills, attempt to reduce repeat pregnancies, and complete high school. This program also includes a teen father program along with other teenaged children programs. Internal evaluation shows teens participating in the program are less likely to repeat a pregnancy prior to graduation. Network of Trust enrolled 67 unduplicated teen parents during 2016/2017 school year at a cost of $228,270.

I. Community Health Improvement Services, Continued

B. Community Based Clinical Services

Flu Shots

The Corporation provides free flu shots to volunteers. In 2017, the Corporation administered 289 flu shots at an unreimbursed cost of $5,562.

School Nurse Program

The Corporation places nurses in sixteen elementary schools, six middle schools, and four high schools in Dougherty County with a goal of creating access to care for students and staff, assessing the health care status of each population represented and effectively establishing referrals for all health care needs. Nurses also conducted the Eighth Grade Health Fairs. During the 2016/2017 school year, the school nurse program covered 14,250 student lives. This program is operated at a cost of $288,994 in 2017.

C. Health Care Support Services

The Corporation provided 213 colorectal screenings [colonoscopy] to uninsured residents referred by Horizons Community Health Solutions at a cost of $153,573. Of the 213 screened, more than 30% had high-risk adenomatous polyps removed during colonoscopy.

Government Sponsored Eligibility Applications to the Poor and Needy

The Corporation contracts with Change Healthcare (formerly Chamberlain Edmonds) to process eligibility applications on behalf of the poor and needy that may be eligible for Medicaid. In some cases, it can take up to two years to be deemed eligible. In 2017, the Corporation paid $998,457 to Change Healthcare to process Medicaid applications.

- Indigent Financial Assistance

  Patients whose household income is at or below 125% of the Federal Poverty Guidelines are classified as indigent and are eligible for free care as provided in the Financial Assistance Policy.

I. Community Health Improvement Services, Continued

C. Health Care Support Services, Continued

Government Sponsored Eligibility Applications to the Poor and Needy, Continued

- Charity Financial Assistance

  Patients whose household income is between 126% - 200% of the Federal Poverty Guidelines qualify for discounted charges for care based on a sliding schedule in the Financial Assistance Policy.

- Catastrophic Financial Assistance

  Patients whose income exceeds 200% of the Federal Poverty Guidelines, and whose balance owed exceeds 25% of their annual income, resulting in excessive hardship, qualify for discounted charges on a sliding scale basis ranging from 89% to 60% based on income and number of dependents. Terms and conditions are detailed in the Financial Assistance Policy.

II. Health Professions Education

The Corporation recognizes that to continuously improve the Corporation's long-term value to our community and our customers, to encourage life-long learning among employees and to achieve a world-class employer status, it is in the Corporation's best interest to provide opportunities that will assist eligible employees in pursuing formal, healthcare related educational opportunities. In fiscal year 2017, the Corporation provided $1,154,464 in clinical supervision and training of nursing students, and an additional $1,341,706 in clinical supervision and training to pharmacy, pharmacy techs and other allied health professionals. In all, approximately 829 students received clinical instruction from our facility.

III. Subsidized Health Services

A. Other Subsidized Services

Inmate Care

The Corporation provides care to persons in jail for Dougherty County. In 2017 the Corporation provided $221,064 of unreimbursed medical and drug treatment to 147 inmates.

Indigent Drug Pharmacy

Indigent Drug Pharmacy provides medication upon discharge to patients that are either indigent or uninsured. In 2017, the pharmacy filled 6,520 prescriptions at a cost of $417,878.

IV. Financial and In-Kind Support

In 2017, The Corporation provided $128,944 in cash donations and in-kind support to non-profit organizations in Southwest Georgia. Listed are some highlights:

- The Southwest Georgia Cancer Coalition received $60,165 for staff support and various projects.
- The Sowega Council on Aging received $25,000 for their ramp project to provide ramps to the elderly.
- In-kind support of Foregone Rent to non-profit organizations at an estimated cost of $43,779.

V. Community Building Activities

A. Economic Development

The Corporation supports the Economic Development Commission of Dougherty County with funding to support improved employment and health coverage as a way to improve the overall health of the residents of the region.

VI. Community Benefit Obligations

The Corporation incurred $137,393 to support staff and community health needs assessment costs that included $32,000 renewal of Healthy Communities Institute's dashboard feature on our website:

http://www.phoebehealth.com/health-matters/building-healthy-communities

Summary

		2017
Community Health Improvement Services:		
Community Health Education	$	250,436
Community Based Clinical Services		294,556
Healthcare Support Services		1,152,030
Total community health improvement services		**1,697,022**
Health Professional Education:		
Nurses/nursing students		1,154,464
Other health professional education		1,341,706
Total health professional education		**2,496,170**
Subsidized Health Services:		
Other subsidized health services		638,942
Total subsidized health services		**638,942**
Financial and In-Kind Support:		
Cash donations		85,165
In-kind donations		43,779
Total financial and in-kind support		**128,944**
Community Benefit Operations:		
Dedicated staff and other resources		137,393
Total community benefit operations		**137,393**

See independent auditor's report on supplemental information.

V. Community Benefit Obligations, Continued

Summary, Continued

	2017
Other:	
Traditional charity care – estimated unreimbursed cost of charity services	$ 20,000,000
Unpaid cost of Medicare services – estimated unreimbursed cost of Medicare services	183,000,000
Unpaid cost of Medicaid services – estimated unreimbursed cost of Medicaid services	66,000,000
Total other	**269,000,000**
Total summary	**$ 274,098,471**

This report has been prepared in accordance with the community benefit reporting guidelines established by Catholic Health Association (CHA) and VHA. The Internal Revenue Services' requirements for reporting community benefits are different than the guidelines under which this report has been prepared.

Draffin & Tucker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Phoebe Putney Memorial Hospital, Inc.
Albany, Georgia

We have audited the financial statements of Phoebe Putney Memorial Hospital, Inc. (Corporation) for the year ended July 31, 2017, and have issued our report thereon dated December 6, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 25, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. As described in Note 1, the Corporation adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2015-03, "Interest-Imputation of Interest-Simplifying the Presentation of Debt Issuance Costs". The ASU simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. All periods presented in the financial statements and notes to the financial statements reflect the new guidance. The reclassification of fiscal year 2016 amounts did not have a material effect on the financial statements. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

P.O. Box 71309
2617 Gillionville Road
Albany, GA 31708-1309
Tel. (229) 883-7878
Fax (229) 435-3152

Five Concourse Parkway
Suite 1250
Atlanta, GA 30328
Tel. (404) 220-8494
Fax (229) 435-3152

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> *Management's estimate of the allowance for doubtful accounts is based on historical collection data. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.*
>
> *Management's estimate of the third-party payor settlements is based on reimbursement communications with the fiscal intermediaries. We evaluated the key factors and assumptions used to develop the estimated third-party payor settlements in determining that it is reasonable in relation to the financial statements taken as a whole.*
>
> *Management's estimate of the accrued pension costs is based on an actuarial report and assumptions. We evaluated the key factors and assumptions used to develop the estimated accrued pension cost in determining that it is reasonable in relation to the financial statements taken as a whole.*
>
> *Management's estimate of goodwill is based on projected discounted cash flows which is dependent on criteria both internal and external to the organization. We have evaluated the key factors and assumptions used to develop the assessment of goodwill and determined that it is reasonable in relation to the financial statements taken as a whole.*
>
> *Management's estimate of legal fees is based on expectations of potential settlements of claims against the Corporation, as well as estimated defense costs. We evaluated the key factors and assumptions used to develop the estimate of legal fees, including inquiries of third-party counsel where applicable, and determined that it is reasonable in relation to the financial statements taken as a whole.*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> *The disclosure of uncompensated services in Note 3 to the financial statements is an accumulation of information summarizing services that the Corporation was compensated for at amounts less than its established rates.*

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the uncorrected misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U. S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

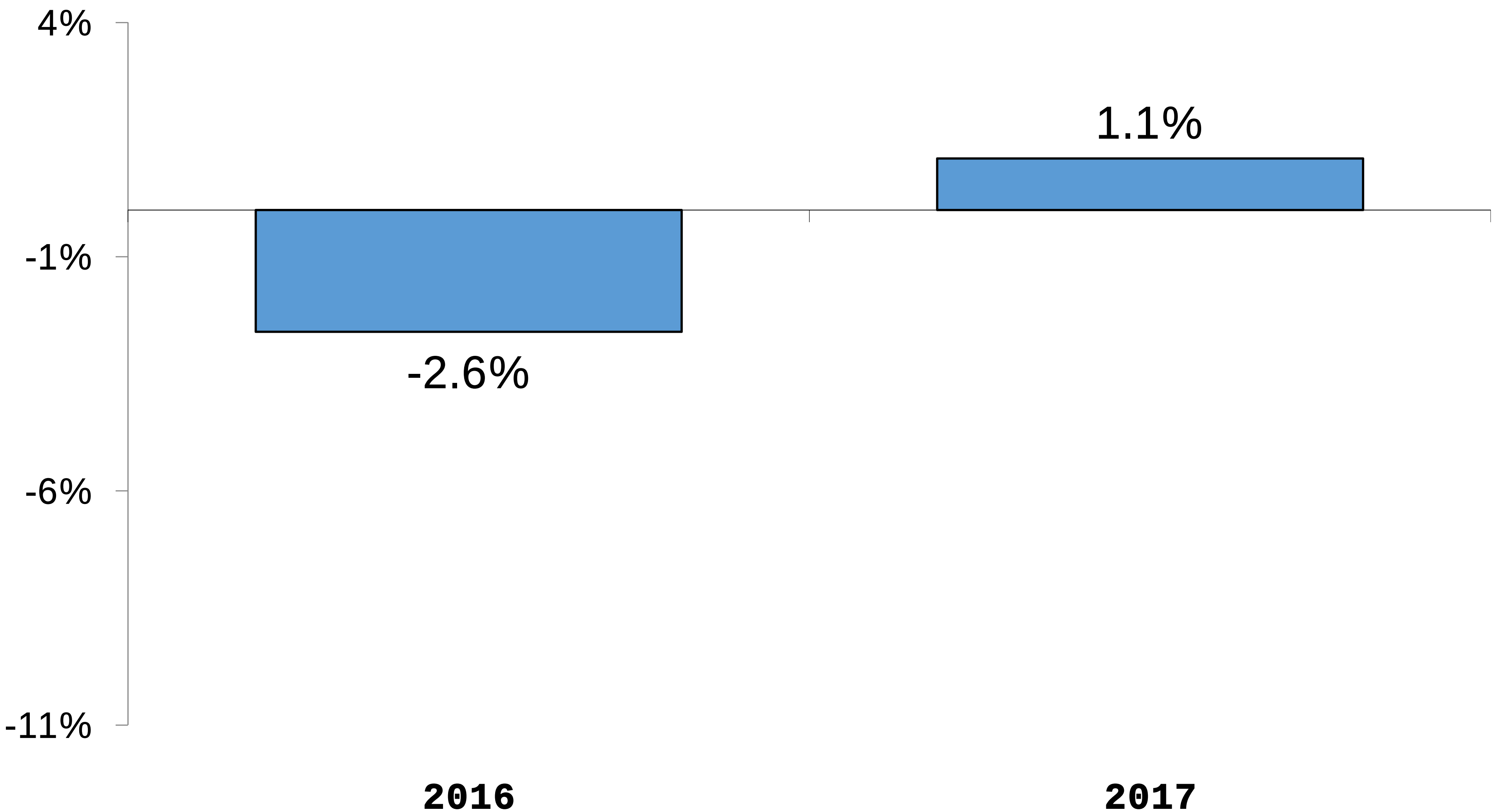
Draffin + Tucker, LLP

Albany, Georgia

December 6, 2017

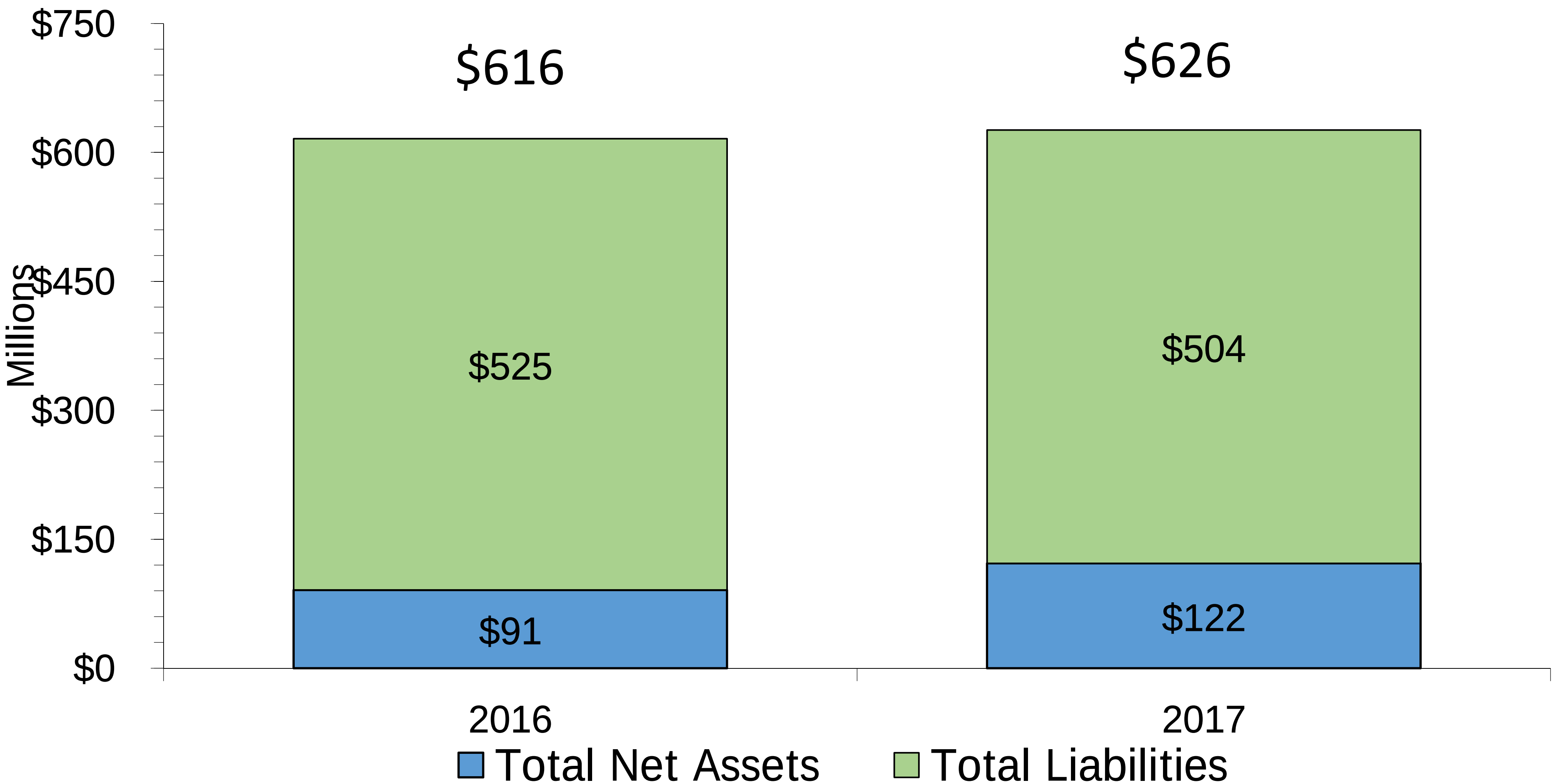
Total Margin

Excess revenues (expenses) divided by the sum of total revenues, gains, and other support and investment and other nonoperating income (loss)



- Reflects profits from both operations and non-operations
- Desired position is above median values

Total Assets, Liabilities, & Net Assets



Financial Reports

Brian Church

SVP/CFO

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

Financial Statement Update
December-2017 YTD Financials
Fiscal Year 2018
February 15th Authority Meeting

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
BALANCE SHEET
12/31/2017

		Unaudited
		December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	**$**	**105,322**
Assets limited as to use - current		-
Patient accounts receivable, net of allowance for		-
doubtful accounts		-
Supplies, at lower of cost (first in, first out) or market		-
Other current assets		-
Total current assets		105,322
Property and Equipment, net		-
Other Assets:		
Goodwill		-
Total other assets		-
Total Assets	$	105,322

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
BALANCE SHEET
12/31/2017

LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	-
Accrued expenses	7,946
Estimated third-party payor settlements	-
Deferred revenue	-
Short-term oblogations	-
Total current liabilities	7,946
Total liabilities	7,946
Net assets:	
Unrestricted	97,376
	-
Total net assets	97,376
Total liabilities and net assets	$ 105,322

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN UNRESTRICTED NET ASSETS
12/31/2017

	Unaudited December 31, 2017
OPERATING REVENUE:	
Net patient service revenue (net of provision for bad debt)	
Lease Consideration	101,000
Total Operating Revenue	101,000
OPERATING EXPENSES:	
Salaries and Wages	
Employee health and welfare	
Medical supplies and other	
Professional services ***	56,686
Purchased services **	82
Depreciation and amortization	
Total Operating Expenses	56,768
Operating Loss	44,232
NONOPERATING INCOME (EXPENSES):	
Gain in Long Term Lease	-
Interest Expense	-
Total Nonoperating Income	-
EXCESS OF REVENUE OVER EXPENSE	44,232

****** Professional Services would include any Legal Fees, Auditor Fees and Consultant Fees***

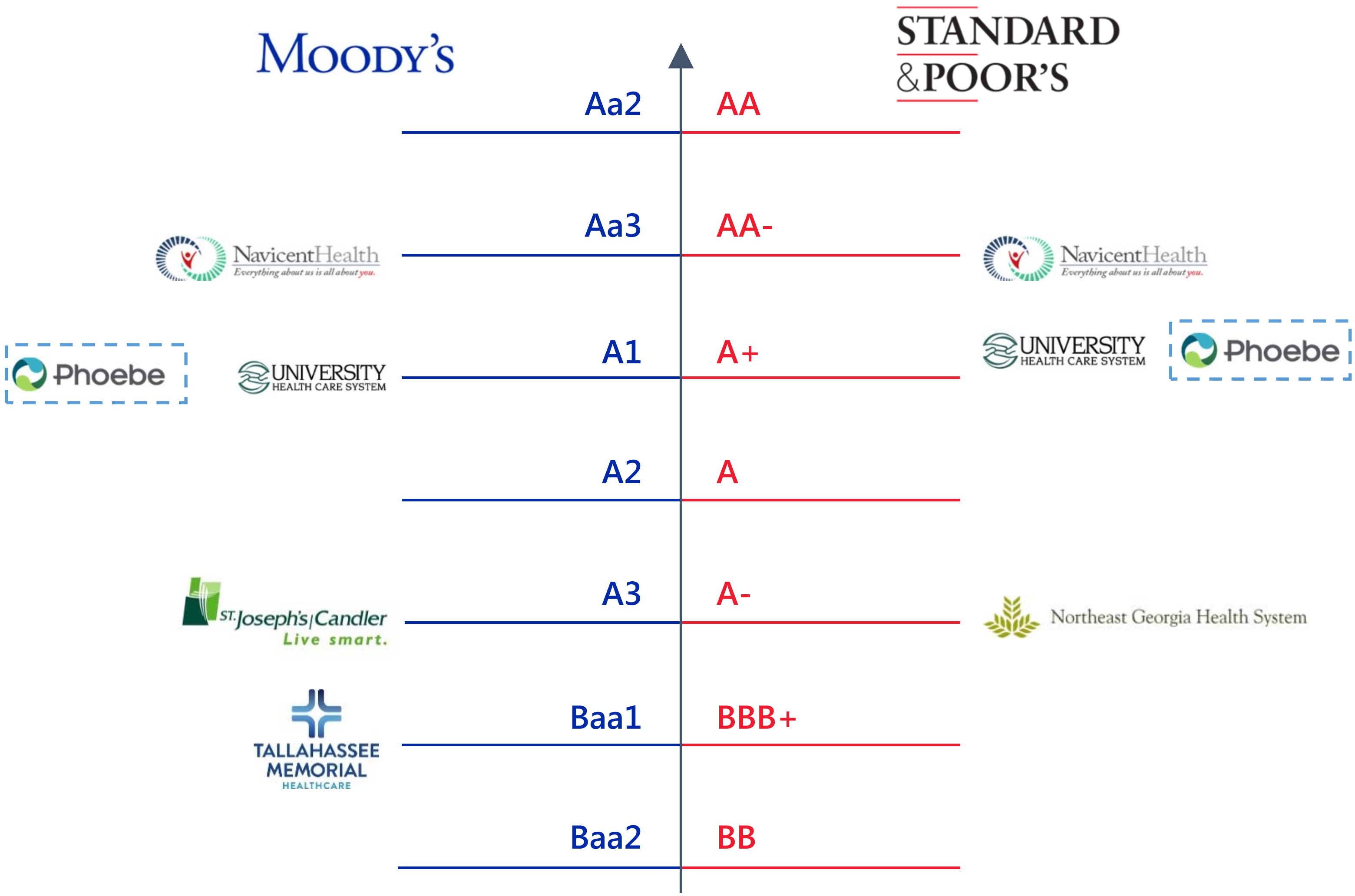
***** Purchased Services would include Bank Account Fees***

Bonds and Rating Agency Update

Summary

- Bond Ratings have been affirmed by :
- S&P - 12/22/2017 (A+ Stable Outlook)
- Moody's - 1/24/2018 (A1 Stable Outlook)
- *Ratings Reports are publicly available and have also been sent to Authority via email*

Georgia Hospital and Health Systems' Rating Landscape



Margin Rate Factor and Phoebe Direct Placement Debt

2018 Tax Cuts and Jobs Act

- The Act Decreased the federal corporate tax rate in the U.S. from **35% to 21%, effective January 1, 2018**

- Phoebe's…2008's and 2010's include a **"Margin Rate Factor"** allowing the banks to adjust the interest rate if the federal corporate tax rate is decreased.

- The Effective Date of any change in the Margin Rate Factor **shall be the 270th day after bank provides the hospital and the Trustee written notice**

- **We have received notice from BOA…. Have not from Regions and SunTrust as of 2-9-2018**

Bank of America
Merrill Lynch

January 17, 2018

Mr. Brian Church
Chief Financial Officer
Phoebe Putney Health System
P.O. Box 3770
Albany, Ga 31706-3770

Re: HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
REFUNDING REVENUE ANTICIPATION CERTIFICATES
(PHOEBE PUTNEY MEMORIAL HOSPITAL),
SERIES 2008A

Dear Brian:

As you are aware, on December 22, 2017 the President signed into law a new tax bill referred to as the "Tax Cuts and Jobs Act" (the "Act"). The Act decreased the federal corporate tax rate in the United States from 35% to 21% effective January 1, 2018. We want to alert you that due to this change in the corporate tax rate, an increase will be made to the tax-exempt interest rate borne by the above-referenced Revenue Anticipation Certificates held by Banc of America Public Capital Corp. Under the terms of the applicable documents this change will take effect on October 15, 2018, which is the date 270 days after the date of this notice.

In accordance with the terms of the credit documents and in response to the Act, the interest rate will be increased to take into account the reduction in the federal corporate tax rate. The interest rate will be adjusted by application of the "Margin Rate Factor" as defined in the credit documents.

We value our relationship with Phoebe Putney so it is important to us that you understand how this adjustment will affect the interest rate. If you have not yet received a call from your client team, you will be receiving one shortly to discuss any questions you may have.

Sincerely,

Christopher Federico

Christopher Federico, CPA
Senior Vice President
Senior Relationship Manager
(404) 607-5714
chris.federico@baml.com

cc: Hospital Authority of Albany-Dougherty County

Regions Bank, Trustee

Section 2. **Bank Rate Period.** Section 2.07 of the Original Indenture is hereby amended and supplemented by deleting Section 2.07(a) and inserting in its place the following:

(a) From any Conversion Date after which the Bonds will bear interest at a Bank Rate until the next following Conversion Date or the maturity date of the Bonds, whichever is earlier (the "Bank Rate Period"), the Bonds will bear interest at the Bank Rate (the "Bank Rate") (rounded upwards, if necessary, to the nearest 1/100 of 1%), as follows (subject to adjustment as provided herein and in the Bonds): (A) from the Conversion Date on February 2, 2015 after which the Bonds will bear interest at a Bank Rate to (but not including) the Initial Bank Tender Date, a per annum interest rate equal to (a) the sum of (i) 67% of one month LIBOR plus (ii) the Initial Spread (b) multiplied by the Margin Rate Factor (i.e., ((0.67 x one month LIBOR) + Initial Spread) x Margin Rate Factor); and (B) from and after any other Conversion Date after which the Bonds will bear interest at a Bank Rate, the rate of interest determined in an arm's length negotiation between the Hospital and the purchaser of the Bonds as the Bank Rate. "Initial Spread" means 80 basis points (0.80%).

"Margin Rate Factor" means the greater of (i) 1.0, and (ii) the product of (a) one minus the Maximum Federal Corporate Tax Rate multiplied by (b) 1.53846. The effective date of any change in the Margin Rate Factor shall be the 270th day after the Bank provides the Hospital and the Trustee written notice that the Maximum Federal Corporate Tax Rate has been reduced below or increased above the Maximum Federal Corporate Tax Rate in effect on February 2, 2015 or such date on which the Maximum Federal Tax Rate has been further reduced or increased. As of February 2, 2015, the Margin Rate Factor is 1.0.

"Maximum Federal Corporate Tax Rate" means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank). As of February 2, 2015, the Maximum Federal Corporate Tax Rate is 35%.

Next Steps

- Phoebe Management will work with Debt Advisors and Bankers to evaluate the current debt market post tax bill for any strategies or alternative structures that will keep debt cost low.

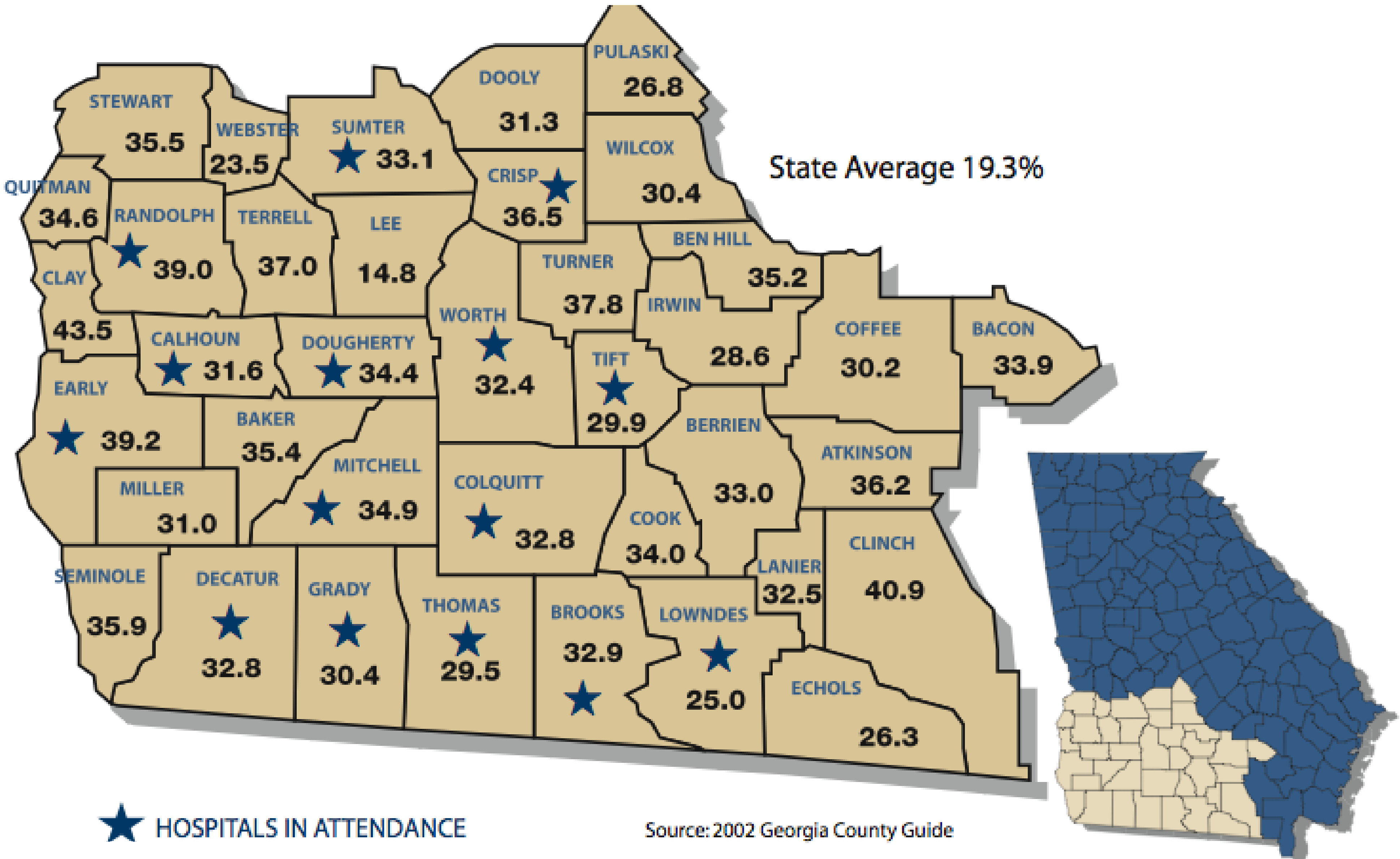
Questions ?

Indigent Care Trust Fund

Upper Payment Limit Program

Brian Church
SVP/CFO

Percentage Receiving Medicaid



Source: Georgia County Guide

Medicaid Disproportionate Share Hospital Program

The Disproportionate Share Hospital (DSH) program is a federal program that provides hospitals payment toward the cost of care for the uninsured and any remaining uncompensated Medicaid costs (after UPL payments are considered). In FY 2015, uninsured patients paid only about 7% toward their cost of care.[40]

Generally, to qualify for a DSH payment in Georgia, a hospital must meet the federal criteria of having at least a 1% Medicaid utilization rate and have an ongoing capability to do non-emergent delivery of newborns. Once eligible for DSH, the amount of DSH funds paid to a hospital depends on the burden of uncompensated Medicaid and uninsured care relative to other eligible hospitals. It is also dependent on the amount of federal funding made available to the state in the annual DSH allotment.

The state must provide matching funds to draw down the annual federal allotment. The state's share is based on the state's FMAP rate. In Georgia, public hospitals provide the state matching funds via intergovernmental transfers. Private hospitals must depend on an annual state fund appropriation for their state matching funds.

The Uninsured in Georgia:

- 1 in 7 Georgians or 14% (1,411,000) is uninsured
- Georgia ranks 2nd highest in the nation for the percentage of its citizens uninsured
- 1 in 12 children in Georgia or 8% (199,600) is uninsured

SOURCE: Kaiser Commission on Medicaid and the Uninsured, 2015

Source : (GHA) Georgia Hospital Association

Medicaid In Georgia

- **Medicaid Disproportionate Share Hospital Program**

- The Georgia Disproportionate Share Hospital (DSH) Program is **under the umbrella of the Indigent Care Trust Fund (ICTF).**

- Established in 1990, the **ICTF's purpose is to expand Medicaid eligibility and services, support rural and other health care providers, primarily hospitals, which serve the medically indigent, and fund primary health care programs for medically indigent Georgians.**

- The Department of Community Health is responsible for administering both the ICTF and state DSH program.

Indigent Care Trust Fund

- The ICTF **is funded** through a variety of mechanisms:
  - State appropriations
  - **Hospital provider tax**
  - Breast cancer automobile tag fees
  - **Hospital Intergovernmental transfers**
  - Federal funds
  - Ambulance licensing fees
  - Certificate of Need (CON) penalties

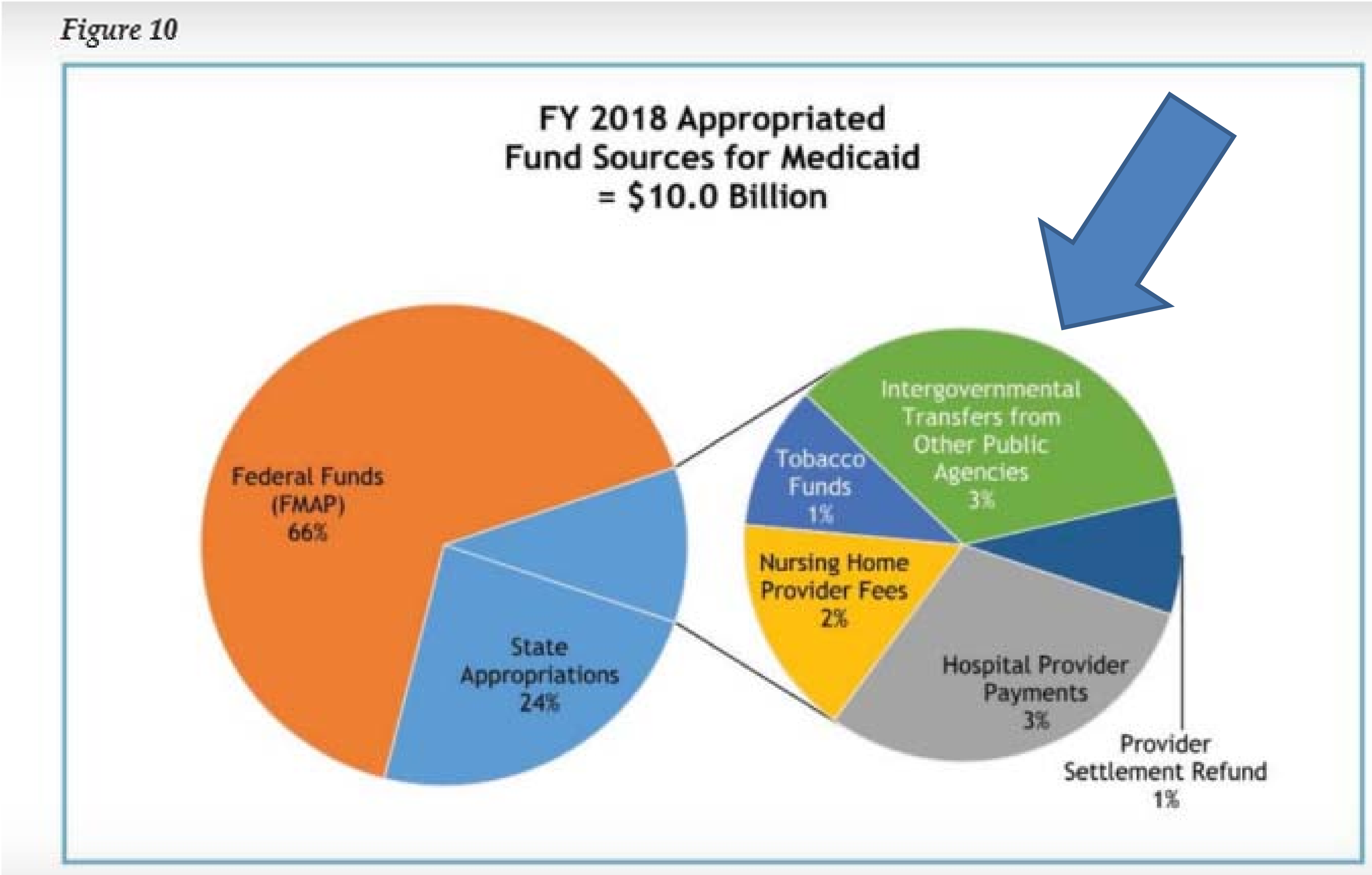
Indigent Care Trust Fund

- The federal “Matching” funds are one of the major sources of funding to the state Medicaid Program and are provided by the federal government to GA Safety Net Hospitals thru DCH.

- The intergovernmental transfers are amounts assessed governmental hospital units during the ICTF process that are pooled and sent to the federal government for them to “match”. -- **FY 2017 -- $3.716M**

- The provider tax is assessed hospitals and nursing homes and is used to transfer to the federal government to be matched as well. 1.45% of PPMH’s Net Revenue -- **FY2018 = $6.365M**

Medicaid In Georgia



Source – GHA (Georgia Hospital Association)

Indigent Care Trust Fund

- The available funds are pooled and then distributed to hospitals based on their percentage of total uncompensated care (UCC) provided to Medicaid and uninsured patients.
  - Hospital's UCC is based on an annual survey that is completed and filed with the State
    - UCC is computed by subtracting payments received from the cost of services provided to uninsured and Medicaid patients

Medicaid Upper Payment Limit Payments

- Certain Hospitals quality for supplemental payment to help subsidize regular Medicaid Payments that are **less then costs.**

- These payments are paid in additional to the regular Medicaid payments and are often referred to as **Upper Payment Limit (UPL) payments.**

- The Maximum that Medicaid can pay (i.e. the UPL) is the either cost or what Medicare would have paid for a service provided to a Medicaid patient.

- Supplemental payment level s are determined by calculating the difference between the UPL and what Medicaid actually paid hospitals for inpatient an outpatient services.

Hospital Authority of Albany-Dougherty County, Georgia
Indigent Care Trust Fund / Upper Payment Limit Funding

Flow of Funds Illustration

		2017
Funds Transferred from PPMH Operating Account to HAADC Bank Account		
	Indigent Care Trust Fund	$ 2,346,000
	Upper Payment Limit	$ 1,370,000
		$ 3,716,000
Funds Wired to DCH from HAADC Bank Account		
	Indigent Care Trust Fund	$ 2,346,000
	Upper Payment Limit	$ 1,370,000
		$ 3,716,000
Funds Received back from DCH(GA Dept. of Community Health)		
	Indigent Care Trust Fund	$ 7,306,000
	Upper Payment Limit	$ 4,200,000
		$ 11,506,000
Net Funds received by PPMH from DCH after "Matching" to fund Healthcare Services		
	Indigent Care Trust Fund	$ 4,960,000
	Upper Payment Limit	$ 2,830,000
		$ 7,790,000

ICTF – UPL Process

- Governmental Entity Participation agreements are required to be filed with DCH. The practice has been for the Authority Chair to sign the agreements as they are requested by the state.

- Without HAADC completing/authorizing program agreements these additional “matching” funds would not be available to our community/patients

- Phoebe would recommend to the HAADC that it authorize the Chair to continue to sign the participation agreements as they are requested by DCH so these funds can be utilized to provide critical health services to the underserved residents of our community

PHYSICIAN UPPER PAYMENT LIMIT PROGRAM
LETTER OF AGREEMENT
PAYMENT DATES JULY 1, 2015 THROUGH JUNE 30, 2016

By signing this Letter of Agreement, the Governmental Entity understands, acknowledges, and agrees to participate in the financing of the Physician Upper Payment Limit Program.

1. The Governmental Entity has reviewed the Federal regulations governing Intergovernmental Transfers (hereinafter, "IGT") and the Physician Upper Payment Limit Program. In participating in the financing of the Physician Upper Payment Limit Program, the Governmental Entity agrees to the following:

    a. The Governmental Entity understands and agrees that it shall fully comply with all the Federal regulations.
    b. The Governmental Entity understands and agrees that it has the sole responsibility to research, interpret, understand, and remain current on any changes or modifications to applicable Rules or laws, Federal or State, regarding Intergovernmental Transfers and the Physician Upper Payment Limit Program.
    c. The Governmental Entity agrees to provide the IGT's necessary to make payments on behalf of the practice and public hospital with which it is affiliated.
    d. An IGT cannot be accepted from the physician practice unless it is a unit of government.
    e. The physician practice must retain the full amount of the Medicaid payment. The Governmental Entity cannot require the physician practice to reimburse the IGT amount to the Governmental Entity making the payment.

2. The Parties understand and agree that this Letter of Agreement may terminate or be terminated by DCH for any of the following reasons:
    a. Default by the Governmental Entity, upon thirty (30) calendar days written notice;
    b. Convenience of DCH, upon thirty (30) calendar days written notice;
    c. Immediately, in the event of the Governmental Entity's breach, insolvency or declaration of bankruptcy; or,
    d. Immediately, when sufficient appropriated funds no longer exist for the payment of DCH's obligation under this Letter of Agreement.

3. The Governmental Entity hereby releases and agrees to indemnify and hold harmless DCH, the State of Georgia and its departments, agencies and instrumentalities (including the State Tort Claims Trust Fund, the State Authority Liability Trust Fund, The State Employee Broad Form Liability Funds, the State Insurance and Hazard Reserve Fund, and other self-insured funds, all such funds hereinafter collectively referred to as the "Funds") from and against any and all claims, demands, liabilities, losses, costs or expenses, and attorneys' fees, caused by, growing out of, or arising from this Letter of Agreement, due to any act or omission on the part of the Governmental Entity, its agents, employees, customers, invitees, licensees or others working at the direction of the Governmental Entity or on its behalf, or due to any breach of this Letter

of Agreement by the Governmental Entity, or due to the application or violation of any pertinent federal, state or local law, rule or regulation. This indemnification extends to the successors and assigns of the Governmental Entity, and this indemnification survives the termination of this Letter of Agreement and the dissolution or, to the extent allowed by the law, the bankruptcy of the Governmental Entity.

4. Any dispute concerning a question of fact or obligation related to or arising from this Letter of Agreement that is not disposed of by mutual agreement shall be decided by the Contract Administrator who shall reduce his or her decision to writing and mail or otherwise furnish a copy to the Governmental Entity. The written decision of the Contract Administrator shall be final and conclusive, unless the Governmental Entity mails or otherwise furnishes a written appeal to the Commissioner of DCH within ten (10) calendar days from the date of receipt of such decision. The decision of the Commissioner or his duly authorized representative for the determination of such appeal shall be final and conclusive. Pending a final decision of a dispute hereunder, the Governmental Entity shall proceed diligently with the performance of the Letter of Agreement.

5. The Governmental Entity and the Department agree that in the event of a disagreement regarding, arising out of, or related to Letter of Agreement language interpretation, the Department's interpretation of the Letter of Agreement language in dispute shall control and govern. The Department's interpretation of the Letter of Agreement language in dispute shall not be subject to appeal under any circumstance.

6. The Governmental Entity agrees to assist and cooperate with the Department in any and all matters and activities related to or arising out of any audit or review, whether Federal, private, or internal in nature, at no cost to the Department.
   a. The Parties also agree that the Governmental Entity shall be solely responsible for any costs it incurs for any audit related inquiries or matters; and,
   a. The Governmental Entity may not charge or collect any fees or compensation from DCH for any matter, activity, or inquiry related to, arising out of, or based on an audit or review.

7. No amendment, waiver, termination or discharge of this Letter of Agreement, or any of the terms or provisions hereof, shall be binding upon either Party unless confirmed in writing. Nothing in this Letter of Agreement may be modified or amended, except by writing executed by both Parties.
   a. Additionally, Centers for Medicare and Medicaid Services (hereinafter "CMS") approval may be required before any such amendment is effective. DCH shall determine, in its sole discretion, when such CMS approval is required; and,
   b. Any agreement of the Parties to amend, modify, eliminate or otherwise change any part of this Letter of Agreement shall not affect any other part of this Letter of Agreement. In such cases, the remainder of this Letter of Agreement shall continue to be of full force and effect as set out herein.

8. The Governmental Entity shall not assign this Letter of Agreement, in whole or in part, without the prior written consent of DCH, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect.

9. Any section, subsection, paragraph, term, condition, provision, or other part of this Letter of Agreement that is judged, held, found or declared to be voidable, void, invalid, illegal or otherwise not fully enforceable shall not affect any other part of this Letter of Agreement, and the remainder of this Letter of Agreement shall continue to be of full force and effect as set out herein.

10. This Letter of Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior negotiations, representations, agreements, understandings, or Letter of Agreements. No written or oral agreements, representatives, statements, negotiations, understandings, or discussions that are not set out, referenced, or specifically incorporated in this Letter of Agreement shall in any way be binding or of effective between the Parties.

11. The Parties also agree that all of the conditions, requirements, and obligations set forth in this Letter of Agreement will apply to any subsequent owner or shareholder of the Governmental Entity without exception or limitation.

- SIGNATURES –

IN WITNESS WHEREOF, the Governmental Entity states and affirms that its representative is duly authorized to bind it to this Letter of Agreement as this the 29th day of January, 2018.

Hospital Authority of Albany
Dougherty County Gerogia

Governmental Entity Name

FRED J. GHIGLIERI

Signatory's Name

CHAIRMAN

Signatory's Title

Fred J. Ghiglieri

Signature

fjg2211@gmail.com

Signatory's E-mail Address

229-291-5740

Signatory's Phone Number

1/29/18

Date

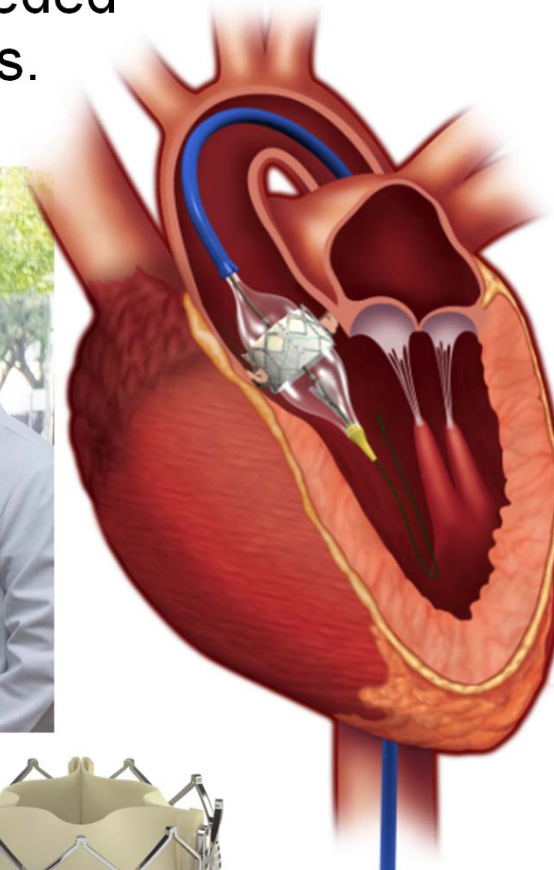
Update on New Services, Procedures, and Access Points

Joe Austin
EVP/COO

Ensuring Access to Care

Heart Valve Team Celebrates Success!

- completed more than 40 TAVR cases in less than 2 years
- consistently met or exceeded national quality standards.



Transcatheter Aortic Valve Replacement (TAVR)

Primary Care Development in the Region

Camilla, GA **(Mitchell County)**
14,000 sq. ft. facility
Opened June 5th

Quick facts:
13,000 appointments a year
3 Physicians
2 Advanced Provider

Expansion brings:
Extended-hours care
Urgent Care
Specialty medicine offerings

New PPG Providers

1 Neurosurgeon

3 Family Medicine

4 Hospitalists

1 General Surgeon

1 Cardiologist

8 Advanced Practice Providers

2 Radiologists

1 Neonatologist

1 Gastroenterologists

1 Intensivist

23

Total New Phoebe Employed Providers

2017 Update: Meeting the Need. Enhancing Care Close to Home.

FY17 Total Capital Investments:

$32,034,835

Reinvesting in the Community

Increased Access to Care

- Provide great care close to home
- Expand walk-in treatment options and available hours
- Reduce wait times
- Provide payment flexibility for every budget

Choose A Better Way

Know your options to access the right Phoebe care.

At Phoebe, we've developed new ways to make it easier than ever to access our experts – with new choices that can even help you save time and money.

Primary Care

- Minor illnesses
- Preventive visits
- Convenient appointments

Urgent Care and Community Care

- Non-life-threatening illnesses or injuries
- Walk-ins welcome
- Extended hours

Emergency Care

- Life-threatening illnesses or injuries
- Immediate attention
- 24/7 hospital-based care

Right Care. Right Place. Right Time.

....*at the **Right Cost.***

Top 5 Diagnosis	Average CCC charge per case	Average Emergency Center charge	Community Savings per case
Respiratory infection	$122.83	$1,187.28	$1064.45
Pharyngitis	$131.08	$1,176.31	$1045.23
Low back pain	$145.18	$1,999.00	$1,853.82
Disorders of teeth	$117.72	$842.08	$724.36
Removal of sutures	$233.82	$611.02	$377.20
Avg. savings per case			$1,013.01

March 2016 – Dec 2017

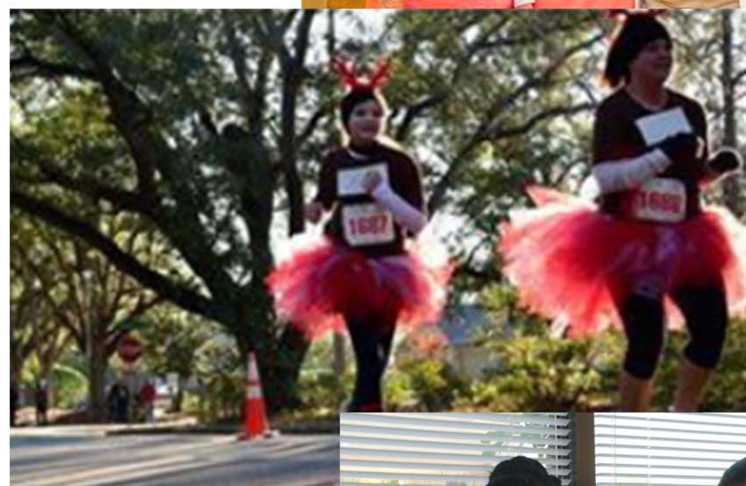
Community Savings

26,992 cases = **$27.3million**

Volunteers & Community Partners

Volunteer Impact

- **55,532** Total Volunteer Hours for FY17
- **492** Phoebe Volunteers (total does not include students)
- **710** Total Volunteers including special events such as Jingle Bell Jog
- **Over 60** different service areas benefitting from volunteers
- Volunteer partnerships with three national and one local service organization (Mended Hearts, RSVP Programs, Pet Partners, and the Charity League of Albany)



Veteran Talent Program

- Military Affairs Committee (Chamber of Commerce)
- GA Veterans Employment Career Transition Resource Center (VECTR)
- Employer Support of Guard & Reserve (ESGR)
- MCLB Albany Transition Office
- Georgia Dept. of Veterans Service

Focus on Quality

Focus on Facts & Transparency

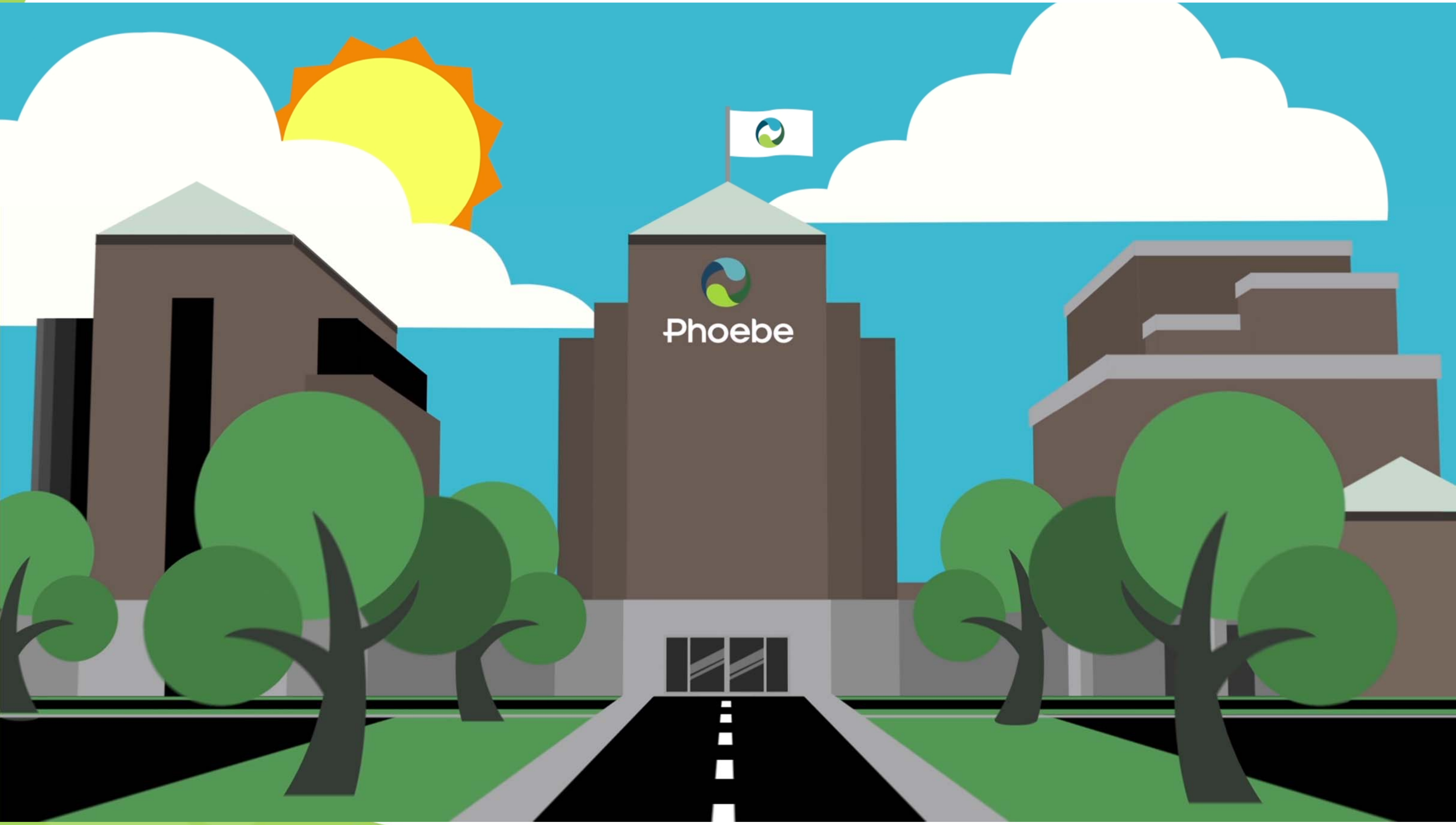
Inside
Phoebe
with Ben Roberts

Inside Phoebe Videos

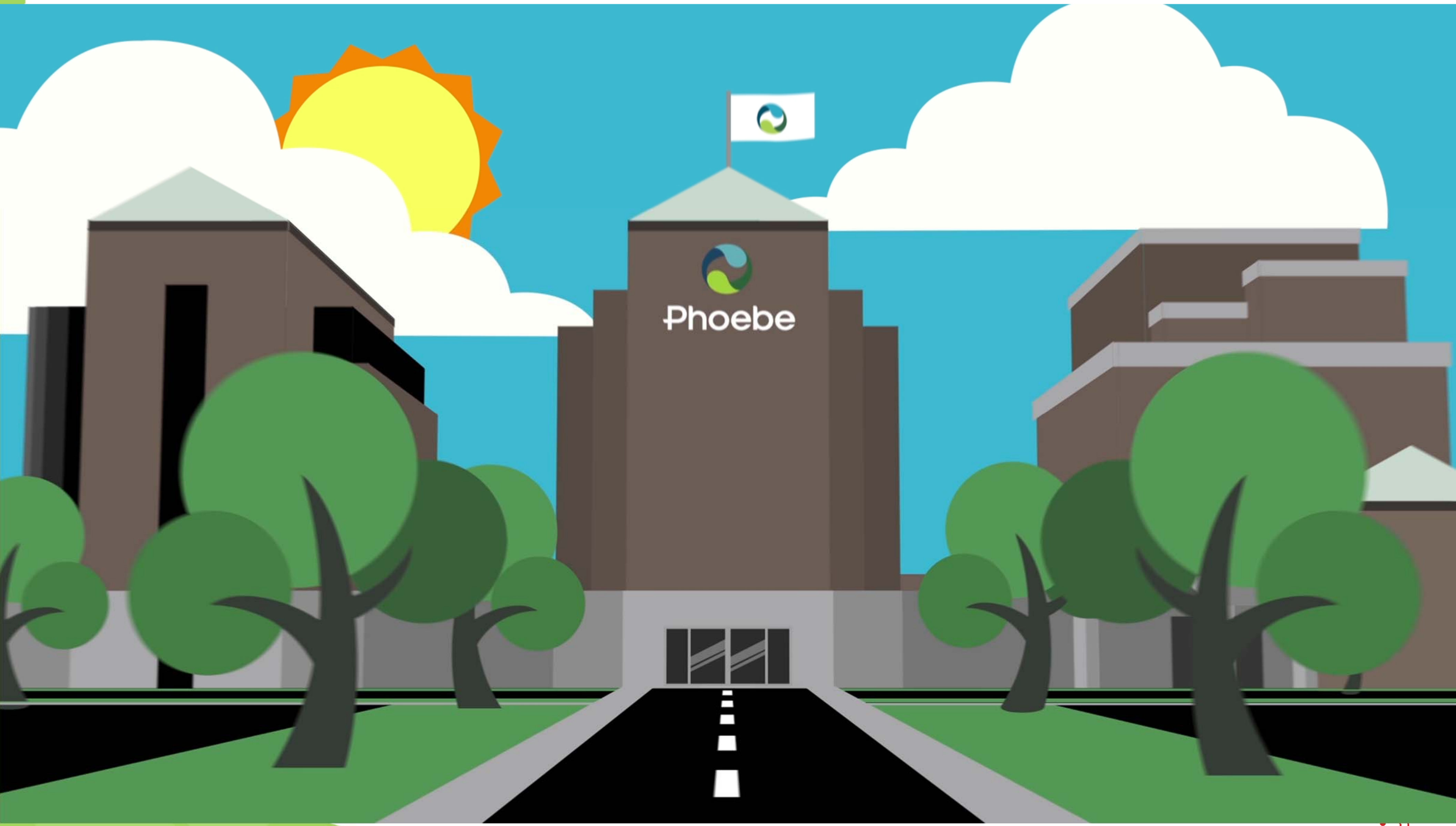
- OR Tour/phoebequality.com
- Phoebe Tax Support
- Reinvestment into the Community
- Football Fridays/Orthopaedics & Sports Medicine

phoebequality.com

Inpatient Rehab Video



Phoebe Critical Care Video



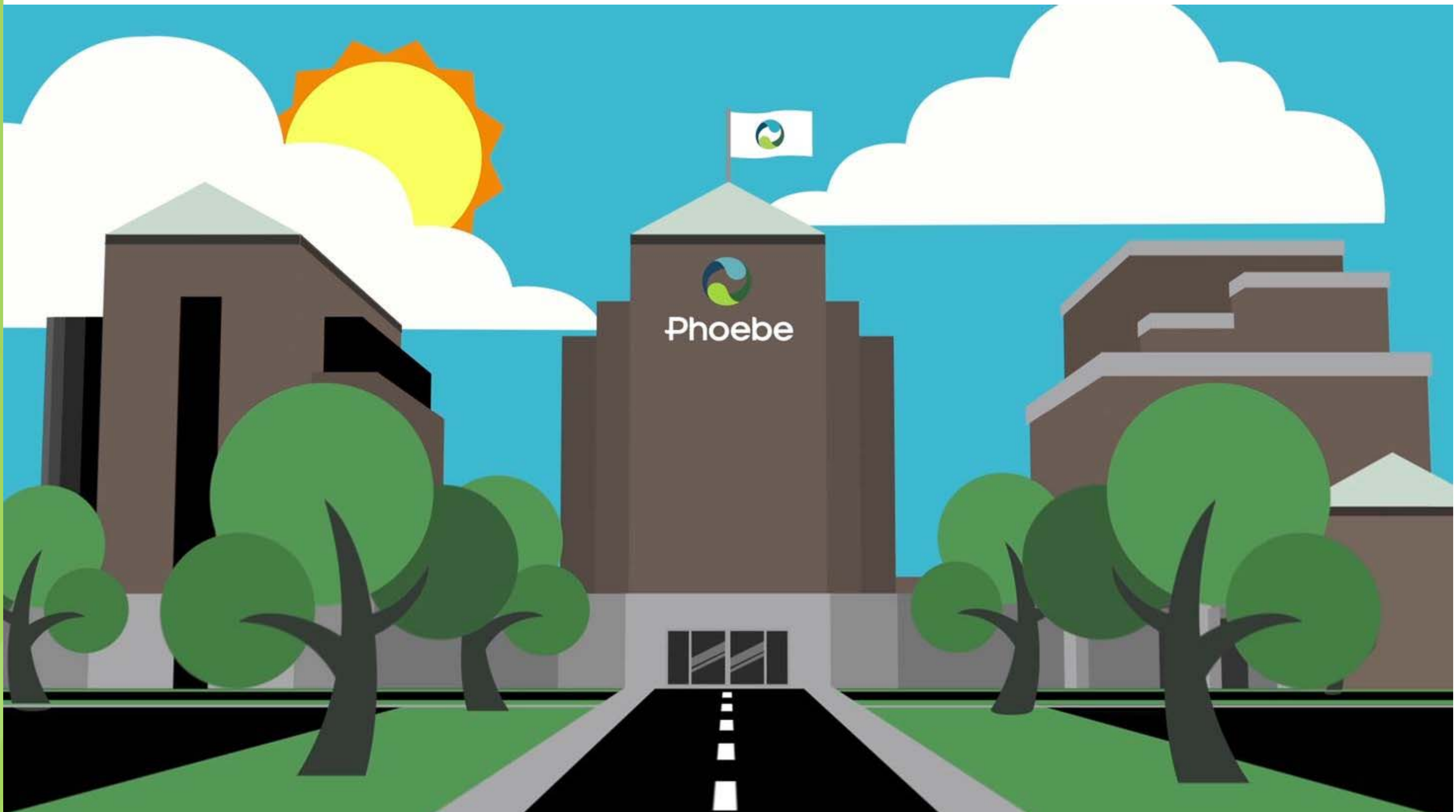
Phoebe Gastro at Meredyth Update

Suresh Lakhanpal, MD
President
Phoebe Physician Group

Colorectal Cancer Screening Saves Lives

FEBRUARY 15, 2018

Phoebe Gastro Video



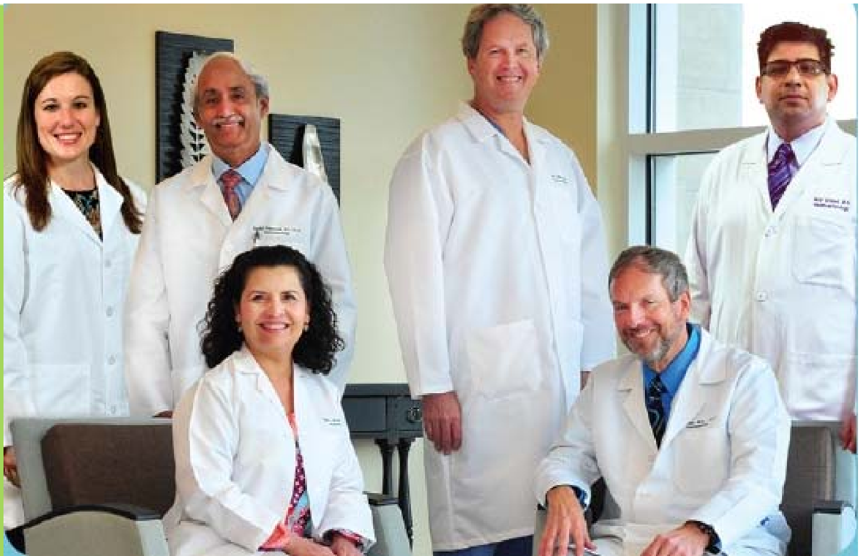
Meeting the Digestive Health Needs of Our Community

Phoebe Digestive Health Center

Opened 2012

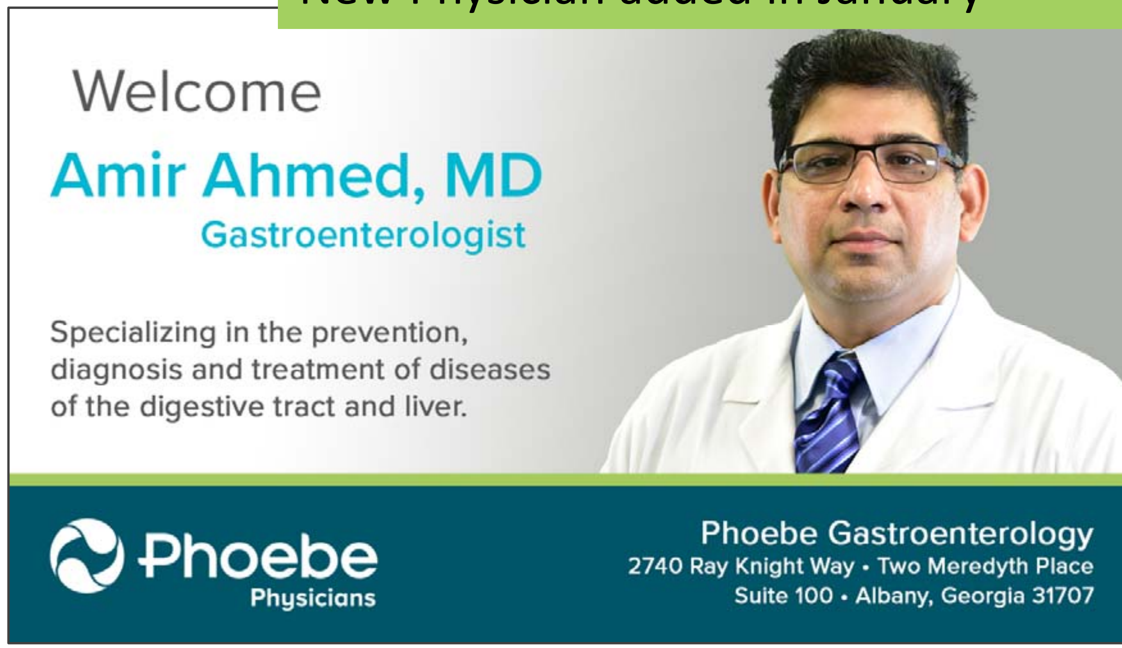
Located at Two Meredyth Place, 2740 Ray Knight Way, the center houses both:

- **Phoebe Gastroenterology**
  (physician practice)
- **Phoebe Endoscopy**
  (department of PPMH)



Phoebe Gastroenterology
Practice Expertise

New Physician added in January



Board-Certified Gastroenterologists

Amir Ahmed, MD
Gretchen Anderson, DO
James Griffith, MD
Ira G. Knepp, MD
Ruth D. Montalvo, MD
Gandhiji Y'Chili, MD

ADVANCED CARE PROVIDERS

Laura Anderson, NP
Kendra Armstrong, NP
Rachel Butler, NP
Anita Elliott, NP
Anna Eschmann, NP
Susan Furro, NP
Kelley Plant, NP
Larry Tyrer, NP
Kenna Wiles, PA

Addressing Significant Community Challenges

Colorectal Cancer: A Life-threatening Disease

Age-Adjusted Colorectal Cancer
Incidence Rate per 100,000 cases

Range	**Rate**	**Date**
Dougherty	50.5	2010-2014
Lee	52.3	2010-2014
Mitchell	60.9	2010-2014
Terrell	66.7	2010-2014
Worth	51.5	2010-2014
Georgia	**41.4**	**2010-2014**
US	**39.8**	**2010-2014**

Data Source: National Cancer Institute

The Real Tragedy

Age-Adjusted Colorectal Cancer
Death Rate per 100,000 cases

Date	**Date Range**	
Dougherty	14.2	2010-2014
Lee	18.9	2007-2011
Mitchell	19.5	2010-2014
Terrell	32.1	2007-2011
Worth	13.5	2005-2009
Georgia	**15.5**	**2010-2014**
US	**14.8**	**2010-2014**

- **3rd most common cancer** among men and women
- **2nd leading cause of death** from cancer
- Can largely be **prevented**

Phoebe Gastro Physician Cases: By the Numbers

Phoebe Digestive Health Center

Phoebe Putney Memorial Hospital

Total cases = 6,136

611 **cases are:**

- Charity
- Indigent
- Medicaid
- Self pay
- No pay

10%

Total cases = 2,266

310 **cases are:**

- Charity
- Indigent
- Medicaid
- Self pay
- No pay

13.7%

Collaborative efforts benefit our patients

Marion Collier

Albany Resident

Marion, lost her insurance when she lost job a few years ago as a result of her company being sold. A colonoscopy in 2016 showed she had colon cancer. She had surgery at Phoebe and did not need radiation or chemotherapy. She has had two follow up colonoscopies since that were clean. All of her care was at no cost to her.

"Everything was wonderful. The only thing I was upset about was the bad news that I had cancer. ***They took care of everything.*** *I was in their care and I didn't have anything to worry about."*

"I couldn't afford that on my own. *At that time I had no health insurance. I'm glad that the Cancer Coalition and Phoebe stepped in for me."*

Collaborative efforts benefit our patients

Brian Godwin

Pelham Resident

Self-employed with no insurance. Both parents died of cancer. His father had colon and prostate cancer. A nurse at Phoebe Primary Care in Camilla connected him with the Cancer Coalition which helped set up a colonoscopy at Phoebe Gastro. He was nervous going in but was exceedingly pleased with the care he received.

*"**Five stars all the way**... you guys stepped up and helped me out. People just don't do that anymore, and I'm so grateful."*

*"...I was petrified. But they did such a **great job of bedside manner**, I was very, very pleased."*

*"The **building is state of the art**. I was very comfortable."*

Phoebe is nationally recognized as a leader in growing access to colorectal cancer screening

- **National Colorectal Cancer Roundtable honoree for 80% by 2018 National Achievement Awards**

- **ACS Colorectal Cancer Partnership Award**

Jim Hotz, MD

Advisor to the National Colorectal Cancer Roundtable

Albany Area Primary Health Care, Inc.

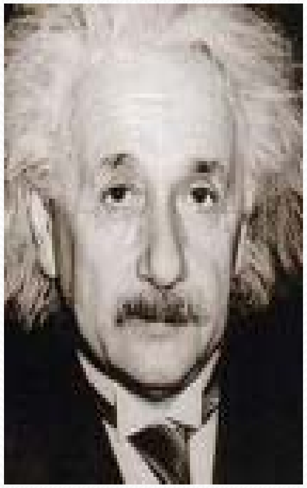
COLON CANCER SCREENING CHALLENGES FOR OUR PATIENTS -ROLE OF PHOEBE PUTNEY HEALTH SYSTEM

AAPHC

James Hotz M.D, MACP
Clinical Services Director
Albany Area Primary Health Care, Inc.

AAPHC Patient Data 2017

Total # of patients	37,585
Total # of staff	305
# of sites/locations	28 (25 Clinical)
Urban/Rural	Both
Payer mix	41% Medicaid; 18% Medicare; 20% Private
PMCH Certification	PCMH Certified
Visits 2016 /since 1979	160,953/3,472,090
% Uninsured	21%
% Racial/Ethnic minorities	74% African American
% Under 200% Poverty	87.6%



GENIUS

$E^T = mc^2$

Endoscopy (timely) =
My Colon Cancer
Control and Cure

70% reduction
in Colon
Cancer Death

The Potential Impact of 80% by 2018

In the United States, if we can achieve 80% by 2018, **277,000 cases** and **203,000 colon cancer deaths** would be **prevented by 2030**

Challenge: Health disparities develop because transforming technologies are not distributed.

UDS: CHC SCREENING RATES 2016-39.9%

GEORGIA CHC RATES 2016 – 30.0%
NATIONAL GOAL – 80%

- **“Advocate Community Benefit as a sound business strategy that is as much an indicator of success for a hospital as admissions, financial statements, quality care indictors and revenue streams.”**

- “Link the hospitals and specialists to CHCS”

PHOEBE

Collaborative Model Distributes Responsibilities to Improve Care

The Cancer Coalition of South Georgia (Horizons)
NAVIGATES AAPHC PATIENTS THROUGH COMPLEX SYSTEM OF MEDICAL SPECIALISTS AT PHOEBE HEALTH PARTNERS -

- GI Practices, Endoscopy Centers
- Pathologists, Radiologists, Lab Services
- Hospitals, Surgeons, Anesthesiologists
- Oncologist, Cancer Treatment Services

AAPHC QUALITY DASHBOARD:

Current Results - 2017 June			%	COMPARE
IVD: Use of Aspirin or Other Antithrombotic [?]	ASA or other antithrombotic	1558 206	88%	View
Hypertension: Blood Pressure Screening [?]	BP screened in past 12 months	11507 18	100%	View
Hypertension: Controlling High Blood Pressure [?]	BP < 140/90	8171 3336 18	71%	View
Statin Therapy for Adults with an LDL >= 190 mg/dL [?]	On statin therapy	626 83	88%	View
Preventive Care: Tobacco Use Screening [?]	Screened in past 24 months	17289 283	98%	View
Preventive Care: Tobacco Users [?]	Tobacco non-users	13361 3928	77%	View
Preventive: Tobacco Use - Cessation Intervention [?]	Tobacco users with intervention within 24 months	3773 155	96%	View
Diabetes: Hemoglobin A1c Testing [?]	Heme A1c in past 12 months	4235 421	91%	View
Diabetes: Hemoglobin A1c Control [?]	Heme A1c < 7%	1751 889 544 1015	42%	View
Diabetes: Urine Protein Screening [?]	Urine protein within 12 months or on ACEI/ARB or with evidence of nephropathy	4153 503	89%	View
Breast Cancer Screening [?]	Mammogram in past 24 months	3610 3274	52%	View
Cervical Cancer Screening [?]	Pap in past 3 years	5189 3292	61%	View
Colorectal Cancer Screening [?]	Appropriately screened	5309 4176	56%	View
Pneumonia Vaccination Status for Older Adults [?]	Pneumonia vaccine at any time	2724 1442	65%	View

Practices in one of Georgia's poorest counties, Calhoun County

View > Rosenbaum, Tracy

Measure Set > TGA Recommended Core Measure Set

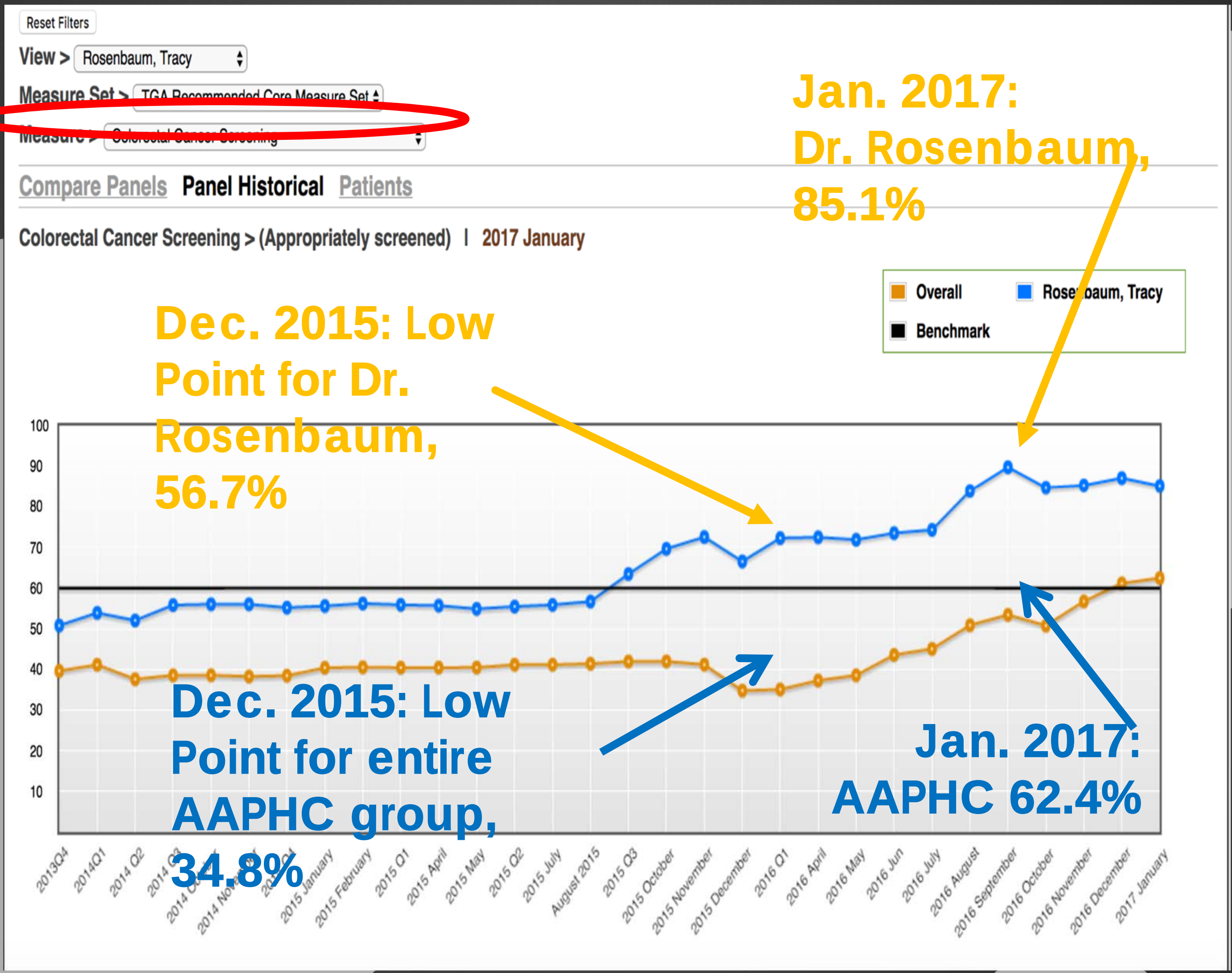
Group > All

Current Results - 2017 January

Measure	Description	Results	%	COMPARE
IVD: Use of Aspirin or Other Antithrombotic [?]	ASA or other antithrombotic	68 6	92%	View
Hypertension: Blood Pressure Screening [?]	BP screened in past 12 months	556 1	100%	View
Hypertension: Controlling High Blood Pressure [?]	BP < 140/90	446 110 1	80%	View
Statin Therapy for Adults with an LDL >= 190 mg/dL [?]	On statin therapy	32 1	97%	View
Preventive Care: Tobacco Use Screening [?]	Screened in past 24 months	721 2	100%	View
Preventive Care: Tobacco Users [?]	Tobacco non-users	583 138	81%	View
Preventive: Tobacco Use - Cessation Intervention [?]	Tobacco users with intervention within 24 months	136 2	99%	View
Diabetes: Hemoglobin A1c Testing [?]	Heme A1c in past 12 months	215 8	96%	View
Diabetes: Hemoglobin A1c Control [?]	Heme A1c < 7%	82 58 30 45	38%	View
Diabetes: Urine Protein Screening [?]	Urine protein within 12 months or on ACEI/ARB or with evidence of nephropathy	217 6	97%	View
Breast Cancer Screening [?]	Mammogram in past 24 months	269 68	80%	View
Cervical Cancer Screening [?]	Pap in past 3 years	215 89	71%	View
Colorectal Cancer Screening [?]	Appropriately screened	407 71	85%	View
Pneumonia Vaccination Status for Older Adults [?]	Pneumonia vaccine at any time	192 15	93%	View

Population Management Outcomes

CRC Screening Program at Albany Area Primary Health Care – Collaboration Works!



Program Outcomes: 2008 – June 2016

3,200+ CRC screenings (2760 colonoscopies; 442 FITs)

16 cancers detected and treated

Approximately 35% of all colonoscopy patients had adenomatous (high-risk, precancerous) polyps removed

Patient “No Show” Rate = 2%

Bowel prep “Adequate, Good, or Excellent” = 96%

Original Article

Evaluation of a Patient Navigation Program to Promote Colorectal Cancer Screening in Rural Georgia, USA

Sally Honeycutt, MPH[1]; Rhonda Green, BS[2]; Denise Ballard, MEd[2]; April Hermstad, MPH[1]; Alex Brueder, MD[3]; Regine Haardörfer, PhD[1]; Jennifer Yam, MD[4]; and Kimberly J. Arriola, PhD, MPH[1]

BACKGROUND: Colorectal cancer (CRC) is a leading cause of cancer death in the United States. Early detection through recommended screening has been shown to have favorable treatment outcomes, yet screening rates among the medically underserved and uninsured are low, particularly for rural and minority populations. This study evaluated the effectiveness of a patient navigation program that addresses individual and systemic barriers to CRC screening for patients at rural, federally qualified community health centers. **METHODS:** This quasiexperimental evaluation compared low-income patients at average risk for CRC (n = 809) from 4 intervention clinics and 9 comparison clinics. We abstracted medical chart data on patient demographics, CRC history and risk factors, and CRC screening referrals and examinations. Outcomes of interest were colonoscopy referral and examination during the study period and being compliant with recommended screening guidelines at the end of the study period. We conducted multilevel logistic analyses to evaluate the program's effectiveness. **RESULTS:** Patients at intervention clinics were significantly more likely than patients at comparison clinics to undergo colonoscopy screening (35% versus 7%, odds ratio = 7.9, $P < .01$) and be guideline-compliant on at least one CRC screening test (43% versus 11%, odds ratio = 5.9, $P < .001$). **CONCLUSIONS:** Patient navigation, delivered through the Community Cancer Screening Program, can be an effective approach to ensure that lifesaving, preventive health screenings are provided to low-income adults in a rural setting. *Cancer* 2013;000:000-000. *© 2013 American Cancer Society.*

KEYWORDS: cancer screening; colorectal cancer; colonoscopy; program evaluation; community health centers; community health workers; rural health.

AAPHC
Albany Area
Primary Health Care

PHOEBE/ HORIZONS AWARDS IN CRC SCREEENING-

2016 NATIONAL COLORECTAL CANCER ROUNDTABLE - 1ST HOSPITAL HONOREE
2015 RECOGNIZED BY NCI AS RESEARCH-TESTED INTERVENTION PROGRAM (RTIP)
2014 RECOGNIZED BY AGENCY FOR HEALTH RESEARCH & QUALITY AS “INNOVATIVE MODEL OF CARE”
2013 RECOGNIZED BY CDC AS BEST PRACTICE MODEL IN GUIDE TO COMMUNITY PREVENTION SERVICES

Contact Information

AAPHC
Albany Area
Primary Health Care

James Hotz, M.D.

204 N. Westover Blvd.
Albany, GA 31707
(229) 888-6559
jimhotzmd@aol.com

Questions?

Consideration of Auditor RFQ

________________, 2018

REQUEST FOR PROPOSALS
AUDIT SERVICES

Competitive sealed proposals will be received by the Hospital Authority of Albany-Dougherty County, P. O. Box 3770, Albany, Georgia 31706, until **5:00 p.m. (EST)**, on **April 16, 2018** from qualified firms of Certified Public Accountants to audit the Authority's Financial Statements for the fiscal year ending July 31, 2018. The term of the audit service contract will be three (3) years and may be renewed by mutual written agreement for up to four (4) additional one year terms.

To be considered for this engagement, the firm must meet the qualifications and satisfy the requirements set forth in this RFP.

No reimbursement will be made by the Hospital Authority of Albany-Dougherty County for any costs incurred prior to a formal notice to proceed should an award of contract result from this solicitation.

Proposal documents are available at the Authority Office .

For additional information, contact Felicia Lewis, at (229) 312-8065.

Hospital Authority of Albany-Dougherty County

Felicia Lewis
Board Coordinator

GENERAL INFORMATION AND INSTRUCTIONS
REQUEST FOR PROPOSALS
AUDIT SERVICES
Proposal Ref. __________

SECTION 1

1.1 **DESCRIPTION AND OBJECTIVES:**

The Authority intends to select a firm to perform annual Audit Services in accordance with the Generally Accepted Accounting Principles (GAAP). Those standards require that the auditor plan and perform the audit to obtain reasonable assurance the financial statements are free from material misstatement. The audit would include performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit would include 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. Ultimately an auditor's opinion on the financial statements in all material respects regarding the financial position of the Authority is sought with these audit services. The auditor shall satisfy relevant legal regulatory or contractual requirements such as those required under the government auditing standards issued by the Controller General of the United States; the Single Audit Acts of 1996; Title II U.S. Code of Federal Regulations C.F.R. Part 200, Uniform Administrative Requirements, Code Principles and the audit requirements for federal awards(Uniform Guidance); or other compliance audit requirements such as state, or local laws or program specific audits under federal audit guidelines.

1.2 **METHODOLOGY FOR SELECTION:**

All Proposals received will be evaluated in terms of acceptance of standards, procedures, and qualifications prescribed in this RFP.

All technical requirements, unless otherwise specified, must be met, or be capable of being met, by the proposer or such proposal will be disqualified on the basis of non-responsiveness.

1.3 **SCHEDULE OF EVENTS:**

Event	**Date**
Issuance of Request for Proposals	February 19, 2018
Deadline for Written Questions Submit via E-Mail or Fax:	March 2, 2018 @ 4:00 pm

Sealed Proposals for this RFP must be received by the Hospital Authority, no later than **5:00 p.m. (EST)**, on **April 16, 2018**. The submittal must be signed by an official authorized to bind the offeror. Any submittal received after the stated time and date will not be considered.

The Hospital Authority assumes no responsibility for submittals received after the advertised deadline or at any office or location other than that specified herein, whether due to mail delays, courier mistakes, mishandling, or any other reason (s).

1.4 **TIME EXTENSION:** The Hospital Authority, for good and sufficient reason, may extend the response deadline, in which case all potential proposers will receive an addendum setting forth the new date and time.

1.5 **WITHDRAWAL:** The proposer may withdraw his/her submitted proposal by providing a written request to the Authority <u>before</u> the stipulated proposal closing date and time. Withdrawal of your proposal will not cause prejudice or interfere with the right of the proposer to submit a new proposal, provided the latter is received by the predetermined date and time provided herein. *No proposal may be withdrawn between the closing date and the adjournment of the Authority's May, 2018 meeting.*

1.6 **CONFIDENTIALITY:** Upon receipt of a proposal by the Authority, the proposal shall become property of the Authority without compensation to the proposer, for disposition or usage at the Authority's discretion.

1.7 **INQUIRIES:** Requests for additional information must be directed in writing to the Authority. Fax or email inquiries are acceptable for questions only. All questions should be directed to Felicia Lewis, at 229-312-8065. Replies of substance will be in the form of an addendum, which will be posted on the website and sent to all known proposers.

1.8 **RESPONSE CONTENTS:** For consideration, proposers should submit one (1) original and five (5) complete copies of the sealed proposal to the address listed below.

Hospital Authority of Albany-Dougherty County
Attn. Felicia Lewis
P. O. Box 3770
Albany, GA 31706

Proposals should be clearly marked on the outside packaging as <u>RFP Audit Services</u>.

The Hospital Authority reserves the right to accept or reject any and all responses and to waive technicalities as deemed to be in the best interest of the Hospital Authority. The Hospital Authority reserves the right to request additional information from a respondent(s) as deemed necessary to analyze responses. THE Authority has no legal obligation to bid its audit services, nor is it under any legal obligation to accept the lowest bid or to accept the proposal of any responder to this RFP. The Authority has elected to proceed with an RFP as a convenient method of inviting qualified CPAs and CPA firms to express their interest in the engagement and is not bound by the RFP process set forth except as governed by laws generally applicable to the making of contracts by Georgia hospital authorities.

Proposals will not be accepted from any firm, person or party, parent or subsidiary for which the Authority has an outstanding claim against, or a financial dispute relating to contract performance with the Authority.

1.9 **CONTRACT:** Upon award of the contract by the Authority, the proposer shall be bound to deliver services on the terms and conditions of this document and any negotiations that may occur. The Hospital Authority shall be bound on the said terms and conditions to procure the services described and remit payment to the successful proposer when the work is completed and accepted by the Authority. Proposer shall understand that as work progresses, minor technical adjustments may be necessary. Is of the essence in the delivery of services pursuant to the final contract. Failure to provide timely delivery will constitute breach.

1.10 **PERFORMANCE AND APPROVAL OF SUB-CONSULTANTS:** The proposers will perform the project as an independent contractor and not as an agent or employee of the Authority. No part of the project may be subcontracted.

1.11 **LICENSE, PERMITS, TAXES:** The price (s) for the work shall include full compensation for all taxes that the proposer is or may be required to pay. The Hospital Authority is a tax exempt entity.

1.12 **CHANGES:** In the event a contract is awarded, the Authority may make changes, at any time during the contract period, within the general scope of the contract and its technical provisions. If any such change causes any increase or decrease in the proposer's cost of performing any part of the contract, whether changed or not changed by any such notice, an equitable adjustment shall be made in the contract price, or in the time of performance, or in both, and a written memorandum of such adjustment shall be made. Any claim by the proposer for an equitable adjustment shall be supported by detailed cost and pricing data, which the Authority shall have the right to verify by audit of the proposer's records or at the election of the Authority, by other appropriate means. Any claim by the proposer for an equitable adjustment shall be made in writing and prior to proceeding with the additional services or capital investments. The Authority may accept and act upon claims later if, in the Authority's sole discretion, circumstances justify so doing. Nothing in this clause shall excuse the proposer from proceeding with performance of this contract in accordance with its original terms and conditions and any approved changes.

1.13 **TERMINATION OF CONTRACT:** The Authority shall have the right to terminate any contract to be made hereunder for their convenience by giving the proposer written notice of their election to do so and by specifying the effective date of such termination. The proposer shall be paid for its services through the effective date of such termination. Further, provided a contract is awarded, if a proposer shall fail to fulfill any of its obligations hereunder, the Authority may terminate the agreement with said proposer for such default by giving written notice to the proposer at issue. If this agreement is so terminated, the proposer shall be paid only for work satisfactorily completed.

1.14 **EQUAL OPPORTUNITY POLICY:** The Authority has an equal opportunity purchasing policy. The Authority seeks to ensure that all segments of the business community have access to supplying the goods and services needed by the Authority programs. The Authority affirmatively works to encourage utilization of minority business enterprises in our procurement activities. The Authority provides equal opportunities for all businesses and does not discriminate against any vendors regardless of race, color, religion, age, sex, national origin, or handicap.

1.15 **INSURANCE:** The successful proposer shall possess and maintain general liability coverage of at least $1,000,000 per occurrence with a company reasonably satisfactory to the Hospital Authority as well as worker's compensation insurance in the statutory limits. The successful proposer shall possess and maintain business automobile insurance coverage in an amount of at least $500,000 combined single limit covering owned, hired, and non-owned vehicles.

The successful proposer shall possess and maintain professional liability/miscellaneous errors and omissions insurance coverage with an insurer reasonably acceptable to the Hospital Authority that will pay for injuries and damages arising out of errors or omissions in the rendering, or failure to render professional services under the contract, in the minimum limit of $1,000,000.

1.17 **CORPORATIONS AND OTHER BUSINESS OPERATORS:** Corporations must provide corporate seal, a Certificate of Good Standing from the Secretary of State, and a listing of the principals of the Corporation with the submittal. LLCs and LLPs must provide proof of legal organization, the name and business address of their manager(s) and the name and business address of each of their members. Partnerships shall provide the name and business address of the general partners, and proprietorships not organized as any of the entities set forth above must provide the name and business address of each person with an ownership interest. The name and license number of the individual to be primarily responsible for the services and of each additional CPA to be assigned to the project must be included.

1.18 **USE/OWNERSHIP OF DATA:** The ownership of all data that is prepared or produced under this contract shall be that of the Hospital Authority.

1.19 **CERTIFICATE OF NON-COLLUSION:** An executed copy of this form must accompany your submittal. (See Attached).

1.20 **GOVERNING LAW & VENUE:** An executed copy of this form must accompany your submittal. (See Attached).

1.21 **GEORGIA SECURITY AND IMMIGRATION COMPLIANCE:** The successful contractor will provide certification that it is in compliance with the laws and regulations of the United States and the State of Georgia, including without limitation the use of E-Verify. ***<u>Complete and submit a copy of the affidavit, applicable to your company, with your submittal.</u>***

1.22 **INDEMNIFICATION:** Agent assumes and agrees to be responsible for all claims for damages for injuries to persons or property arising out of the performance of its contract, whether due to its own default or negligence, negligence of its sub-agents, defective conditions of the premises, negligence of the Hospital Authority or otherwise; provided, however, that agent shall not be liable for any damage due solely to the affirmative negligent acts of the Hospital Authority committed in the performance by the Hospital Authority of any work on the premises. Agent agrees to indemnify the Hospital Authority on account of such claims and further agrees that it will indemnify the Hospital Authority fully against any damages, fines, penalties or forfeitures of any kind which may be imposed upon or levied against the Hospital Authority as the result of the agent's violation or failure to comply with any valid law, ordinance or regulation of the United States, State of Georgia, or the Hospital Authority, including the Federal Occupational Safety and Health Act of 1970 as amended from time to time or any federal regulation adopted pursuant thereto. To further assure the performance of the covenant, the agent shall procure and constantly maintain in force, at its expense, the liability insurance required.

1.23 **PROPOSAL SUBMITTAL REQUIREMENTS:**

A. The Proposal should be organized as follows:

1. <u>Title Page</u>
   Show the RFP subject and reference number, the name of the proposer's firm, local address, telephone number, name of contact person and date.

2. <u>Table of Contents</u>
   Clearly identify the material by section and number.

3. <u>Letter of Transmittal</u>
   a. Briefly state the proposer's understanding of the work to be done and make a positive commitment to perform the work within the time period.

   b. Give the names of the persons who will be authorized to make representations for the proposer, their titles, addresses, and telephone numbers.

   c. Include a statement that the proposer meets the independence auditing standards generally accepted in the United States of America.

4. <u>Profiles of the Proposer</u>
   a. State whether the firm is local, regional, national, or international.

   b. Give the location of the office from which the work is to be done and the number of partners, managers, supervisors, seniors and other professional staff employed at the office and indicate (by level) the number of people in the local office that will handle this audit.

   c. Provide a list of the local office's current and prior healthcare/hospital/hospital authority audit clients indicating the type(s) of services performed and the number of years served for each.

      You must identify hospitals and authorities of comparable size.

   d. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs.

   e. Provide names and telephone numbers of current and prior audit clients who can be contacted as references.

5. <u>Summary of the Proposers Qualifications</u>

State the individuals who will be assigned to this engagement and for each:

a. State staff classification of each individual.

b. Describe the experience in healthcare/hospital/hospital authority audits including years on each job and their position while on each audit. Be specific regarding experience on Hospital Authority Audits.

c. Describe the relevant educational background including seminars and courses attended within the past three years.

d. Describe experience in auditing relevant particular to healthcare/hospital/hospital authority.

e. Describe any specialized skills, training or background in public finance which include participation in state or national professional organizations, speaker or instructor roles in conferences or seminars or authorship of articles and books.

f. Disclose in detail any civil litigation and nay administrative action in which the business entity and/or any individuals that would work on this engagement are currently parties or in which the business entity or any such individuals have been parties in the last 3 years, which litigation is related to accounting services or other business, professional or commercial services. Please provide specifics of any case and current status of any ongoing litigation including the complete legal caption of any such case.

g. Disclose in detail any criminal proceeding, charge, accusation or indictment any individuals that would work on this engagement are currently involved with or have been involved with in the last 3 years other than violations of the motor vehicle code that do not include as a potential sentence a term of incarceration.

h. Disclose any conflict of interest any individual that would work on this engagement may have such as working for or doing other business with the Authority or any member of the Authority, having a family member on the Authority, having other clients that are in conflict with the mission of the Authority.

6. Approach to the Audit

Describe your approach to the audit. This should include at least the following points:

a. Type of audit program used and auditing standards.

b. Use of statistical sampling.

c. Use of computer audit specialists.

d. Number of hours to be allocated to this engagement for each team member identified in five (5) above.

e. For senior level hours estimated above, state approximately how many hours will be on-site.

f. Management letter (provide a sample letter).

g. Typical assistance expected from government's staff.

h. Tentative schedule for completing audit within specified deadlines of the RFP.

i. Submit a work plan to accomplish the scope defined in Section 2.1 - Scope and Objectives. The work plan should include time estimates for each significant segment of the work and the staff level to be assigned.

1. In the work plan, state whether the examination will be made in accordance with standards generally accepted in the United States of America.

2. Financial Audit - State that the primary purpose of the examination is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or irregularities may not be detected. State that if conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, the auditor will promptly advise the Authority. Finally, state that no extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement.

7. Additional Data

Since the preceding sections are to contain only data that is specifically requested, any additional information considered essential to the proposal should be included in this section. The proposer's general information publication, such as directories or client lists, should not be included unless specifically requested. If there is not additional information to present, state "There is no additional information we wish to present".

8. Fee Proposal

Submit an itemized fee proposal addressing the following:

a. Fee Proposals must be submitted in detail. Furnish an itemization of the audit fee to show persons assigned by classification, the billing rate for classification, the number of hours to be performed by each person, and the extended fee.

b. The Fee Proposal must arrive at a total not-to-exceed Fee. For each of the audits after the initial engagement year, indicate the fee for each year in 2018 dollars.

c. Fees will be adjusted for each year after the initial year by the percentage increase in the U.S. Department of Labor's CPI-U, South Urban, Size B/C, for the most recent publication preceding the renewal date (applied to the rate in effect prior to the renewal). If future year fee adjustments ar not sought by the firm it can select to indicate a not-to-exceed fee for each year without an increase.

In the event that extraordinary unforeseeable circumstances require additional audit work beyond the work contemplated in this RFP, additional fees may be negotiated in years after the initial year.

1.24 **EVALUATION CRITERIA:** Proposals will be evaluated / ranked by the Proposal Analysis Group according to the following criteria:

1. <u>Technical Quality, Approach, Understanding & Methodology (100%)</u>:

   a. Expertise and Experience

      (1) The firm's past experience and performance on comparable healthcare/hospital/hospital authority engagements/Indigent Care Trust Fund Activities. (25%)

      (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation. (25%)

   b. Completeness of the auditor's plan for meeting the requirements as well as demonstrated understanding of the Authority's needs. (25%)

   c. Ability to complete the audit in a timely manner. (12.5%)

   d. Adherence to the instructions in this request for proposal on preparing and submitting proposal. (12.5%)

2. A low bid in of itself will not be a singular determining factor in awarding of a contract. Due to the highly technical nature of an Authority Audit Plan, price is but one element of an auditor's plan for meeting the requirements of the audit services and should be evaluated under the completeness of the auditor's plan in totality.

1.25 **SELECTION PROCESS:** An ad hoc RFP Committee will review all proposals submitted prior to the deadline. The committee shall be appointed by the Authority and shall consists of at least two authority members and any other individuals whose expertise the Authority determines would be beneficial in selecting a firm to complete the audit. The ad hoc committee shall meet prior to the May Authority meeting to review the proposals and make recommendations. Based upon the background information reported in the proposal, the Committee will determine whether the proposer is qualified or unqualified. The Authority reserves the right to request additional information or clarification from proposers. The ad hoc RFP committee will rank the firms based on the data submitted. Any or all of the firms may be asked to make a formal presentation. The top ranked firm (or firms) may be contacted for final negotiation. Upon completion of negotiations and acceptance by the designated approval authority, a formal agreement will be executed between the Authority and the Consultant.

SPECIFIC INSTRUCTIONS
REQUEST FOR PROPOSALS
AUDIT SERVICES
Proposal Ref. ___________

SECTION 2

2.1 **SCOPE AND OBJECTIVES:** The initial period to be audited is the Authority's fiscal year of August 1, 2017 to July 31, 2018. The audit shall include an examination of the financial statements of the Authority. Proposers can view the most recent years audit reports on the Authority's website to familiarize themselves with the details of past audits.

The examination shall be made in accordance with accounting principles generally accepted in the United States of America.

2.2 **ASSISTANCE AVAILABLE TO AUDITOR:** The Authority's staff will be available to assist the Auditors in the performance of the Audit. Additionally, staff will be available to pull cancelled checks, invoices and purchase orders as needed.

Adequate workspace will be provided to the auditors that will be convenient to the necessary records and Authority personnel.

2.3 **REPORTS REQUIRED AND DUE DATES:** Delivery of the following reports is required on or before September 28, 2018 following the fiscal year under audit:

1. Provide and Audit Report on the examination and presentation of the financial statements of the Hospital Authority, including all funds and account groups. This report should include an opinion 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. Ultimately an auditor's opinion on the financial statements in all material respects regarding the financial position of the Authority is sought with the audit report.

2. Two (2) separate reports (reportable conditions and non-reportable conditions) consisting of comments and recommendations (management letter) shall contain observations of material weaknesses and/or significant deficiencies in controls observed during the course of the examination.

3. The auditors will type and furnish the Authority with fifteen (15) bound copies of each of the management letters addressed to the Authority and bound audit reports inclusive of the audit opinion.

4. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.

2.4 **OTHER REQUIRED DELIVERABLES:**

In the required report(s) on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on internal controls. These items would be items that do not adversely affect the financial statements but offer opportunity to improve controls and practices based on observations during the audit.

The reports on compliance shall include all instances of noncompliance.

Irregularities & Illegal Acts: Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware.

2.5 **MEETINGS & TIMING:** The auditor may begin interim work as soon as the contract is approved by the Hospital Authority Board and audit timeline agreed on by the Authority.

During the audit, the auditor shall periodically inform the Authority on audit progress and audit findings. The auditor shall conduct a preliminary exit conference at the conclusion of fieldwork and shall immediately update the Authority of any and all changes from the preliminary results as the audit work progresses toward completion.

The auditor shall conduct post audit conferences to review the required reports and any adjusting journal entries. Conferences shall be conducted at the time of submission for each report.

Upon completion of the audit, the auditor will first present findings to the Chairman of Authority by September 28, 2018 and make themselves available for a discussion of the results and findings. Thereafter, the auditor will present the audit to the Authority at a regularly scheduled work session. If the audit work will take longer to complete due to items out of the control of the auditor may extend the audit due date in his or her reasonable discretion.

2.6 SPECIAL CONSIDERATIONS

1. The Authority will not pay more than 90% of the progress billings for the audit until the audit is completed and the reports delivered to the Authority**.** Failure to deliver the reports prior to or on the due date will result in the forfeiture of 10% of the audit fee.

2. The auditors are to retain their work papers for a period of not less than seven (7) years and to make the work papers available to the authorized agency or any other persons the Authority authorize to review the papers.

2.7 OTHER INFORMATION

1. The Authority will not be liable for any cost incurred in the preparation of proposals.

2. The submission of a proposal shall be prima facie evidence that the proposer has full knowledge of the scope, nature, quality, quality of work to be performed, the detailed requirements of the specifications; and the conditions under which the work is to be performed. It is the responsibility of the proposer to become fully acquainted with the volume of financial transactions, the character of accounting records and systems, and with the principles and auditing standards generally accepted in the United States of America.

3. The proposer shall furnish the Authority such additional information as the Authority may reasonably require.

4. The Authority will not be liable for any costs not included in the proposal or not included in subsequent contracts.

5. The Authority reserves the right to conduct personal interviews of any or all proposers prior to selection. The Authority will not be liable for any cost incurred by the proposer in connection with such interview (i.e., travel, accommodations, etc).

6. The Authority reserves the right to conduct pre-contract negotiations with any or all potential proposers.

7. The Authority reserves the right to reject any and all proposals, the right in their sole discretion to accept the proposal considered most favorable to the Board’s' interest, and the right to waive minor irregularities in the procedures. The Authority further reserves the right to reject all proposals and seek new proposals when such procedure is in the best interest of the Authority.

8. This RFP will be incorporated by reference into the engagement letter of agreement.

SUBMIT WITH RESPONSE

CERTIFICATION **OF** ***NON-COLLUSION***

The respondent being sworn, disposes and says, ____

____

The Contractor submitting this and its agents, officers or employees have not directly or indirectly entered into any agreements, participated in any collusion, or otherwise taken any action in restraint of free competitive bidding in connection with this submittal.

____
SIGNATURE (AUTHORIZED)

____
COMPANY NAME

____
TITLE

____
DATE

SUBMIT WITH RESPONSE

GOVERNING LAW AND VENUE

Contractor agrees that as to any actions or proceedings arising out or related to this agreement, any such proceedings shall be governed and determined by Georgia Law.

Contractor further agrees that as to any actions or proceedings arising out of or related to this agreement, any such action or proceeding shall be resolved only in an appropriate court located in Dougherty County, Georgia.

____

SIGNED (AUTHORIZED) COMPANY NAME

____

TITLE DATE