

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

FINANCIAL STATEMENTS

for the years ended September 30, 2021 and 2020



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HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)



FINANCIAL STATEMENTS

for the years ended September 30, 2021 and 2020

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Balance Sheets	3-4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	31-32



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hospital Authority of Monroe County
Forsyth, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Authority of Monroe County, a component unit of Monroe County, Georgia, which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended September 30, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Continued

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Authority of Monroe County as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the Hospital Authority of Monroe County is facing financial difficulty and recurring operating losses. The Hospital Authority of Monroe County has become fiscally dependent on Monroe County. See Note 19 for additional details of management's evaluation of the events and conditions and management's plans to improve the financial position of the Hospital Authority of Monroe County. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

DRAFFIN + TUCKER, LLP

Albany, Georgia
April 27, 2022

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

BALANCE SHEETS
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,411,000	\$ 8,071,000
Patient accounts receivable, net of estimated uncollectibles of \$2,584,000 and \$2,016,000 in 2021 and 2020, respectively	1,943,000	1,339,000
Supplies, at lower of cost (first-in, first-out) or market	170,000	106,000
Other current assets	482,000	337,000
Estimated third-party payor settlements	<u>423,000</u>	<u>-</u>
Total current assets	<u>9,429,000</u>	<u>9,853,000</u>
Noncurrent cash and investments:		
Internally designated for capital improvements	10,000	10,000
Internally designated for management agreement	1,000	1,000
Externally restricted for capital under debt agreement	<u>190,000</u>	<u>216,000</u>
Total noncurrent cash and investments	<u>201,000</u>	<u>227,000</u>
Capital assets:		
Nondepreciable	1,019,000	401,000
Depreciable capital assets, net of accumulated depreciation	<u>6,358,000</u>	<u>6,592,000</u>
Total capital assets, net of accumulated depreciation	<u>7,377,000</u>	<u>6,993,000</u>
Total assets	<u>\$ 17,007,000</u>	<u>\$ 17,073,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

BALANCE SHEETS, Continued
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Short-term obligations	\$ 12,000	\$ 11,000
Current maturities of long-term debt	300,000	501,000
Accounts payable	1,799,000	768,000
Accrued expenses	666,000	509,000
Unearned revenue	777,000	2,635,000
Medicare advance payments, current portion	829,000	345,000
Estimated third-party payor settlements	<u>83,000</u>	<u>103,000</u>
Total current liabilities	4,466,000	4,872,000
Medicare advance payments	164,000	885,000
Long-term debt, net of current portion	<u>8,905,000</u>	<u>9,651,000</u>
Total liabilities	<u>13,535,000</u>	<u>15,408,000</u>
Net position:		
Net investment in capital assets	3,603,000	3,237,000
Unrestricted	<u>(131,000)</u>	<u>(1,572,000)</u>
Total net position	<u>3,472,000</u>	<u>1,665,000</u>
Total liabilities and net position	<u>\$ 17,007,000</u>	<u>\$ 17,073,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

STATEMENTS OF REVENUES, EXPENSES, and CHANGES IN NET POSITION
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$3,889,000 in 2021 and \$3,822,000 in 2020)	\$ 11,473,000	\$ 9,448,000
Other	<u>122,000</u>	<u>127,000</u>
Total operating revenues	<u>11,595,000</u>	<u>9,575,000</u>
Operating expenses:		
Salaries and wages	4,562,000	3,725,000
Employee benefits	770,000	715,000
Supplies and drugs	1,403,000	950,000
Contract and purchased services	3,323,000	2,547,000
Physician and professional fees	1,386,000	1,098,000
Depreciation and amortization	561,000	452,000
Other	<u>2,380,000</u>	<u>1,918,000</u>
Total operating expenses	<u>14,385,000</u>	<u>11,405,000</u>
Operating loss	<u>(2,790,000)</u>	<u>(1,830,000)</u>
Nonoperating revenues (expenses):		
Investment income	1,000	17,000
Interest expense	(357,000)	(368,000)
Rent income, net of rental expense of \$30,000 in 2021 and \$27,000 in 2020	31,000	23,000
Noncapital contributions from Monroe County	675,000	900,000
Noncapital grants and contributions	1,740,000	543,000
PPP loan forgiveness	649,000	-
CARES Act funding	<u>1,858,000</u>	<u>979,000</u>
Total nonoperating revenues	<u>4,597,000</u>	<u>2,094,000</u>
Excess revenues before capital grants and contributions	1,807,000	264,000
Sales tax funds from Monroe County for capital	<u>-</u>	<u>91,000</u>
Increase in net position	1,807,000	355,000
Net position, beginning of year	<u>1,665,000</u>	<u>1,310,000</u>
Net position, end of year	<u>\$ 3,472,000</u>	<u>\$ 1,665,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 10,549,000	\$ 9,878,000
Receipts from Medicare advance payments	-	1,230,000
Repayments of Medicare advance payments	(237,000)	-
Payments to suppliers and contractors	(7,769,000)	(6,554,000)
Payments to employees	(5,175,000)	(4,428,000)
	(2,632,000)	126,000
Net cash provided (used) by operating activities		
Cash flows from noncapital financing activities:		
Noncapital contributions from Monroe County	675,000	900,000
Noncapital grants and contributions	1,740,000	543,000
CARES Act funding	-	3,614,000
Proceeds from long-term debt	-	649,000
Proceeds from short-term obligations	122,000	124,000
Principal paid on long-term debt	(290,000)	(280,000)
Principal paid on short-term obligations	(121,000)	(124,000)
Interest paid on long-term debt	(158,000)	(157,000)
Interest paid on short-term obligations	(20,000)	(26,000)
	1,948,000	5,243,000
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Interest paid on long-term debt	(191,000)	(198,000)
Purchase of capital assets	(843,000)	(2,240,000)
Sales tax funds from Monroe County	-	91,000
	(1,034,000)	(2,347,000)
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Investment income	1,000	17,000
Rental income	31,000	23,000
	32,000	40,000
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	(1,686,000)	3,062,000
Cash and cash equivalents, beginning of year	8,288,000	5,226,000
Cash and cash equivalents, end of year	\$ 6,602,000	\$ 8,288,000

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 6,411,000	\$ 8,071,000
Noncurrent cash and investments:		
Internally designated for management agreement	1,000	1,000
Externally restricted for capital under debt agreement	<u>190,000</u>	<u>216,000</u>
Total cash and cash equivalents	<u>\$ 6,602,000</u>	<u>\$ 8,288,000</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (2,790,000)	\$ (1,830,000)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	561,000	452,000
Provision for bad debts	3,889,000	3,822,000
Changes in:		
Patient accounts receivable	(4,493,000)	(3,815,000)
Estimated third-party payor settlements	(443,000)	296,000
Supplies	(64,000)	102,000
Other current assets	(145,000)	(9,000)
Accounts payable	929,000	(138,000)
Medicare advance payments	(237,000)	1,230,000
Accrued expenses	<u>161,000</u>	<u>16,000</u>
Net cash provided (used) by operating activities	<u>\$ (2,632,000)</u>	<u>\$ 126,000</u>

Supplemental disclosures of cash flow information:

Purchases of capital assets in accounts payable as of September 30, 2021 and 2020 was \$102,000 and \$26,000, respectively.

The Authority received PPP loan forgiveness of approximately \$649,000 from SBA in 2021. See Note 9 for additional information.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Hospital Authority of Monroe County (Authority), created pursuant to the Hospital Authority laws of the State of Georgia, operates Monroe County Hospital, an acute care critical access hospital. The Authority was created by the Board of Commissioners of Monroe County, Georgia (Commissioners) to operate, control, and manage all matters concerning the county's health care functions. The Commissioners appoint the Board of Trustees of the Authority and the Commissioners continually provide financial support to the Authority. For these reasons, the Authority is considered to be a component unit of Monroe County, Georgia.

Use of Estimates

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

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

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

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee dental benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. Effective July 1, 2009, the Authority became fully-insured for employee health benefits as described in Note 11. See Note 10 for additional information related to the Authority's general and professional coverage.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Cash, Cash Equivalents and Investments

Cash and cash equivalents include certain investments in highly liquid debt instruments with an original maturity of three months or less. Noncurrent investments include certain investments in debt instruments, primarily certificates of deposit, with an original maturity exceeding three months, and money market funds. Investments are carried at fair value except the certificates of deposit, which are carried at amortized cost which approximates fair value. Interest and gains and losses, both realized and unrealized, on investments are included in nonoperating revenue when earned.

Allowance for Doubtful Accounts

The Authority provides an allowance for doubtful accounts based on the evaluation of the overall collectability of the accounts receivable. As accounts are known to be uncollectible, the accounts are charged against the allowance.

Capital Assets

Capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed on the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the accompanying financial statements.

Land improvements	15 to 20 Years
Buildings and improvements	20 to 40 Years
Equipment	3 to 7 Years

Net Position

Net position of the Authority is classified into two components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority. *Unrestricted net position* is the remaining net amount of assets that does not meet the definition of *net investment in capital assets* or the *restricted net position*.

Designated funds remain under the control of the Board of Trustees who may at its discretion later use the funds for other purposes.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Operating Revenues and Expenses

The Authority's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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 Authority 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 Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Grants and Contributions

From time to time, the Authority receives grants from Monroe County and the State of Georgia as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 21 for additional information for CARES Act funding.

Restricted Resources

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

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Income Taxes

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

Compensated Absences

The Authority's employees earn paid days off at varying rates depending on years of service. Paid days off accumulate up to a specified maximum. Employees are paid accumulated paid days off at resignation if adequate notice is given.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is expensed in the period in which the cost is incurred.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 21 for additional information.

Advance Payments

Advance payments are primarily funds received under the Medicare Accelerated and Advance Payment Program. See Note 21 for additional information.

The amount reported as advance payments at September 30, 2021 and 2020 represents payments received but not earned as of the year end.

Financing Costs

Costs incurred in connection with the issuance of bonds and notes are expensed in the period in which they are incurred.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Impairment of Long-lived Assets

The Authority 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. 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 Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended September 30, 2021 and 2020.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

GASB 72 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2020 financial statements to conform to the fiscal year 2021 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

Accounting Pronouncement Not Yet Adopted

In June 2017, the GASB issued Statement No. 87, Leases (GASB 87). GASB 87 establishes standards of accounting and financial reporting by lessees and lessors. GASB 87 will require a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, with certain exceptions, and will require a lessor to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. GASB 87 is effective for fiscal years beginning after June 15, 2021 with GASB 95 deferral. The Authority is currently evaluating the impact GASB 87 will have on its financial statements.

2. Net Patient Service Revenue

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

Effective September 12, 2001, the Authority was granted Critical Access Hospital (CAH) designation by the Medicare Program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

- Medicare, Continued

The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority'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 Authority. The Authority's Medicare cost reports have been audited by the MAC through September 30, 2016.

Revenue from the Medicare program accounted for approximately 66% of the Authority's net patient service revenue for the year ended September 30, 2021 and approximately 70% of the Authority's net patient service revenue for the year ended September 30, 2020. Laws and regulations governing the Medicare program 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.

- 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. Certain outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. Approximately 22% and 18% of the Authority's net patient service revenue for the years ended September 30, 2021 and 2020, respectively, were derived from Medicaid.

The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2019.

The Authority has also entered into 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.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

• Medicaid, Continued

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 \$27,000 and \$46,000 for the years ended September 30, 2021 and 2020, respectively.

The Authority participates in the Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The ICTF is funded through intergovernmental transfers from participating public hospitals and matching federal funds. The net amount of ICTF payments recognized in net patient service revenue was approximately \$882,000 and \$843,000 for the years ended September 30, 2021 and 2020, respectively.

• Other arrangements

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

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services were approximately \$17,093,000 and \$14,788,000 for 2021 and 2020, respectively.

Uncompensated care includes charity and indigent care services of approximately \$732,000 and \$712,000 in 2021 and 2020, respectively. The cost of charity and indigent care services provided was approximately \$378,000 and \$346,000 during 2021 and 2020, respectively, computed by applying a total cost factor to the charges foregone.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

3. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Gross patient charges	\$ <u>28,566,000</u>	\$ <u>24,236,000</u>
Uncompensated services:		
Charity and indigent care	732,000	712,000
Medicare	6,069,000	5,521,000
Medicaid	1,950,000	1,572,000
Other allowances	4,453,000	3,161,000
Bad debts	<u>3,889,000</u>	<u>3,822,000</u>
 Total uncompensated care	 <u>17,093,000</u>	 <u>14,788,000</u>
 Net patient service revenue, net of provision for bad debts	 <u>\$ 11,473,000</u>	 <u>\$ 9,448,000</u>

4. Cash and Investments

Cash and investments as of September 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Balance sheets:		
Cash and cash equivalents	\$ 6,411,000	\$ 8,071,000
Noncurrent cash and investments:		
Internally designated for capital improvements	10,000	10,000
Internally designated for management agreement	1,000	1,000
Externally restricted for capital under debt agreement	<u>190,000</u>	<u>216,000</u>
 Total cash and investments	 <u>\$ 6,612,000</u>	 <u>\$ 8,298,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

4. Cash and Investments, Continued

	<u>2021</u>	<u>2020</u>
Cash and investments consist of the following:		
Deposits with financial institutions	\$ 6,412,000	\$ 8,072,000
Certificates of deposit	10,000	10,000
Money market funds	<u>190,000</u>	<u>216,000</u>
Total cash and investments	<u>\$ 6,612,000</u>	<u>\$ 8,298,000</u>

- *Certificates of deposit.* The terms of the certificates of deposit are twelve months.
- *Custodial credit risk - deposits.* Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to them. The Authority's bank deposits at September 30, 2021 and 2020 are entirely insured or collateralized with securities held by the pledging financial institution's designated trustee in the Authority's name.
- *Custodial credit risk - investments.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are registered in the name of the Authority; therefore, there is no custodial credit risk for investments at September 30, 2021 or 2020.
- *Credit risk - investments.* Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The Authority did not have an investment policy in effect for September 30, 2021 or 2020.

The money market funds are open end funds that invest exclusively in short-term U.S. government securities.

As of September 30, 2021 and 2020, the Authority's investments in money market funds had the following rating:

	Rating as of September 30, 2021	
	<u>Amount</u>	<u>Aaa</u>
Money market funds	<u>\$ 190,000</u>	<u>\$ 190,000</u>
	Rating as of September 30, 2020	
	<u>Amount</u>	<u>Aaa</u>
Money market funds	<u>\$ 216,000</u>	<u>\$ 216,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at September 30, 2021 and 2020 consisted of these amounts:

	<u>2021</u>	<u>2020</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 3,733,000	\$ 2,552,000
Receivable from Medicare	591,000	717,000
Receivable from Medicaid	<u>203,000</u>	<u>86,000</u>
Total patient accounts receivable	4,527,000	3,355,000
Less allowance for uncollectible amounts	<u>2,584,000</u>	<u>2,016,000</u>
Patient accounts receivable, net	<u>\$ 1,943,000</u>	<u>\$ 1,339,000</u>
Accounts payable and accrued expenses:		
Payable to suppliers	\$ 1,799,000	\$ 768,000
Payable to employees (including payroll taxes)	<u>666,000</u>	<u>509,000</u>
Total accounts payable and accrued expenses	<u>\$ 2,465,000</u>	<u>\$ 1,277,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

6. Capital Assets

Capital asset additions, disposals, transfers, and balances for the years ended September 30, 2021 and 2020 were as follows:

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance September 30, <u>2021</u>
Land	\$ 351,000	\$ -	\$ -	\$ -	\$ 351,000
Construction in progress	<u>50,000</u>	<u>752,000</u>	<u>-</u>	<u>(134,000)</u>	<u>668,000</u>
Total capital assets not being depreciated	<u>401,000</u>	<u>752,000</u>	<u>-</u>	<u>(134,000)</u>	<u>1,019,000</u>
Land improvements	120,000	-	-	-	120,000
Buildings and improvements	11,007,000	-	-	-	11,007,000
Equipment	6,108,000	193,000	-	134,000	6,435,000
Equipment under capital lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>17,235,000</u>	<u>193,000</u>	<u>-</u>	<u>134,000</u>	<u>17,562,000</u>
Less accumulated depreciation for:					
Land improvements	(77,000)	(5,000)	-	-	(82,000)
Buildings and improvements	(5,246,000)	(391,000)	-	-	(5,637,000)
Equipment	(5,320,000)	(165,000)	-	-	(5,485,000)
Equipment under capital lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(10,643,000)</u>	<u>(561,000)</u>	<u>-</u>	<u>-</u>	<u>(11,204,000)</u>
Capital assets being depreciated, net	<u>6,592,000</u>	<u>(368,000)</u>	<u>-</u>	<u>134,000</u>	<u>6,358,000</u>
Total capital assets, net	<u>\$ 6,993,000</u>	<u>\$ 384,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,377,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

6. Capital Assets, Continued

	September 30, <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	September 30, <u>2020</u>
Land	\$ 351,000	\$ -	\$ -	\$ -	\$ 351,000
Construction in progress	<u>1,776,000</u>	<u>1,726,000</u>	<u>(10,000)</u>	<u>(3,442,000)</u>	<u>50,000</u>
Total capital assets not being depreciated	<u>2,127,000</u>	<u>1,726,000</u>	<u>(10,000)</u>	<u>(3,442,000)</u>	<u>401,000</u>
Land improvements	79,000	-	-	41,000	120,000
Buildings and improvements	7,441,000	418,000	(2,000)	3,150,000	11,007,000
Equipment	5,721,000	79,000	-	308,000	6,108,000
Equipment under capital lease	<u>57,000</u>	<u>-</u>	<u>-</u>	<u>(57,000)</u>	<u>-</u>
Total capital assets being depreciated	<u>13,298,000</u>	<u>497,000</u>	<u>(2,000)</u>	<u>3,442,000</u>	<u>17,235,000</u>
Less accumulated depreciation for:					
Land improvements	(74,000)	(3,000)	-	-	(77,000)
Buildings and improvements	(4,940,000)	(309,000)	3,000	-	(5,246,000)
Equipment	(5,152,000)	(140,000)	-	(28,000)	(5,320,000)
Equipment under capital lease	<u>(28,000)</u>	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>-</u>
Total accumulated depreciation	<u>(10,194,000)</u>	<u>(452,000)</u>	<u>3,000</u>	<u>-</u>	<u>(10,643,000)</u>
Capital assets being depreciated, net	<u>3,104,000</u>	<u>45,000</u>	<u>1,000</u>	<u>3,442,000</u>	<u>6,592,000</u>
Total capital assets, net	<u>\$ 5,231,000</u>	<u>\$ 1,771,000</u>	<u>\$ (9,000)</u>	<u>\$ -</u>	<u>\$ 6,993,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

7. Related Party Transactions

Because of the existence of common trustees and other factors, the Authority and Monroe County Hospital Development Foundation (Foundation) are related parties.

The Foundation is authorized by the Authority to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of its distributions. The Authority received no contributions from the Foundation for the years ended September 30, 2021 and 2020.

8. Short-Term Obligations

A schedule of changes in the Authority's short-term obligations at September 30, 2021 and 2020 follows:

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2021</u>
Direct borrowing:				
Short-term note (a)	\$ <u>11,000</u>	\$ <u>122,000</u>	\$ <u>(121,000)</u>	\$ <u>12,000</u>
Total	\$ <u>11,000</u>	\$ <u>122,000</u>	\$ <u>(121,000)</u>	\$ <u>12,000</u>
	Balance September 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2020</u>
Direct borrowing:				
Short-term note (a)	\$ <u>11,000</u>	\$ <u>124,000</u>	\$ <u>(124,000)</u>	\$ <u>11,000</u>
Total	\$ <u>11,000</u>	\$ <u>124,000</u>	\$ <u>(124,000)</u>	\$ <u>11,000</u>

The Authority has a short-term note for general operating purposes. The terms of the Authority's short-term obligations at September 30, 2021 and 2020 follows:

- Short-term note (a) - 7.70% note payable, principal and interest payable monthly. Matures on April 1, 2022.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

9. Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2021 and 2020 follows:

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2021</u>	Amounts Due Within <u>One Year</u>
Revenue Bonds:					
Series 2017 Certificates	\$ 9,325,000	\$ -	\$ (290,000)	\$ 9,035,000	\$ 300,000
Series 2017 premium	187,000	-	(8,000)	179,000	-
Series 2017 discount	(9,000)	-	-	(9,000)	-
Direct borrowing:					
PPP note	<u>649,000</u>	<u>-</u>	<u>(649,000)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,152,000</u>	<u>\$ -</u>	<u>\$ (947,000)</u>	<u>\$ 9,205,000</u>	<u>\$ 300,000</u>
	Balance September 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2020</u>	Amounts Due Within <u>One Year</u>
Revenue Bonds:					
Series 2017 Certificates	\$ 9,605,000	\$ -	\$ (280,000)	\$ 9,325,000	\$ 290,000
Series 2017 premium	196,000	-	(9,000)	187,000	-
Series 2017 discount	(9,000)	-	-	(9,000)	-
Direct borrowing:					
PPP note	<u>-</u>	<u>649,000</u>	<u>-</u>	<u>649,000</u>	<u>211,000</u>
Total	<u>\$ 9,792,000</u>	<u>\$ 649,000</u>	<u>\$ (289,000)</u>	<u>\$ 10,152,000</u>	<u>\$ 501,000</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

9. Long-Term Debt, Continued

The terms and due dates of the Authority's long-term debt at September 30, 2021 and 2020, follows:

- In August 2017, the Authority issued Revenue Anticipation Certificates, Series 2017A and Taxable Revenue Anticipation Certificates, Series 2017B. These funds were used to pay off existing obligations, pay the fees and expense incurred in connection with the issuance of the Series 2017 Certificates, including a premium for a certificate insurance policy, and will be used for future capital improvements and capital purchases. The interest rate on the Series 2017 Certificates ranges from 2.00% to 4.00%.

The Series 2017 Certificates are special obligations of the Authority, the payment of the principal of and interest on which is secured by a first and prior pledge of and lien on the gross revenues derived by the Authority from the ownership of the Monroe County Hospital (Hospital). In addition, the Authority will enter into an intergovernmental contract with Monroe County, Georgia (County), dated as of the date of the issuance of the Series 2017 Certificates, wherein the County is obligated to make payments to the Authority sufficient to pay the principal of and interest on the Series 2017 Certificates as they become due and payable, to the extent the revenues of the Hospital pledged to such payment are insufficient for such purposes. The County is obligated to levy an annual ad valorem tax on all taxable property located within the County within the seven mil limitation prescribed by the Hospital Authorities Law to fulfill the County's obligation under the contract.

- On April 20, 2020, the Authority received loan proceeds in the amount of \$649,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over 2 years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. The Authority believes its use of the proceeds is consistent with the PPP and applied for forgiveness. The Authority will recognize any forgiveness of the loan at the time the Authority is legally released from the debt. The PPP loan from the Small Business Administration was forgiven on June 29, 2021.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

9. Long-Term Debt, Continued

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending September 30:</u>	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2022	300,000	338,000
2023	310,000	329,000
2024	315,000	320,000
2025	325,000	311,000
2026	335,000	301,000
2027-2031	1,865,000	1,321,000
2032-2036	2,240,000	943,000
2037-2041	2,730,000	459,000
2042	615,000	25,000
	\$ 9,035,000	\$ 4,347,000

10. Malpractice Insurance

The Authority is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. The per occurrence liability limit related to this policy in 2021 and 2020 is \$1,000,000. The specific loss, other coverage aggregate, and health care professional liability aggregate limits are \$3,000,000. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority.

Various claims and assertions have been made against the Authority in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

11. Contingencies

Litigation

The Authority is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See malpractice insurance disclosures in Note 10.

Operating Leases

The Authority leases various equipment and facilities under operating leases expiring at various dates through September 2021. Total rental expense in 2021 and 2020 for all operating leases was approximately \$136,000 and \$135,000, respectively.

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 Authority has implemented a compliance plan focusing on such issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. 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 Authority.

Insurance Arrangements

Effective July 1, 2009, the Authority changed from a self-insured plan to a fully-insured plan for group health coverage. Amounts expensed under the insurance plan were \$407,000 and \$415,000 in 2021 and 2020, respectively.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

12. Retirement Plan

The Authority provides retirement benefits for substantially all of its full-time employees through the Monroe County Hospital 403(b) Tax Deferred Annuity Plan (Plan), a defined contribution plan. The Plan is administered by ING. All full-time employees are eligible to participate in the Plan after one year of service and the attainment of age 21. The Authority's Board of Trustees (Board) defines the Plan's provisions.

Employees may make voluntary contributions to the Plan. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Authority contributes 0% - 75% of the employee's contributions, not including the employee's contributions exceeding 6% of the employee's compensation. The Authority's percentage is determined by the Board. The Authority's contribution percentage for 2021 and 2020 was 25%. The Authority's contributions were \$19,000 and \$16,000 in 2021 and 2020, respectively.

The Authority may also make discretionary contributions of 0% - 5% of each participant's compensation. Discretionary contributions are determined annually by the Board. There were no discretionary contributions made by the Authority in 2021 and 2020.

Employees are vested immediately in their contributions. Vesting in the Authority's contribution portion of their accounts is based on a five-year graded scale. Forfeited nonvested accounts may be used to reduce the Authority's contribution. The Authority recognized no forfeitures in pension expense during 2021 or 2020.

13. County Contributions

The voters of Monroe County approved a SPLOST for calendar years 2015-2019. This contract is to be used for capital expenditures, which included a maximum allocation of \$1,000,000 for the Authority. Funds received by the Authority from this SPLOST in 2021 and 2020 were \$0 and \$91,000, respectively. These funds are reflected in sales tax funds from Monroe County for capital in the accompanying statements of revenues, expenses and changes in net position.

The Commissioners also provide funds to the Authority for general support purposes. Funds provided in 2021 and 2020 were approximately \$675,000 and \$900,000, respectively. These funds are reflected in noncapital contributions from Monroe County in the accompanying statements of revenues, expenses and changes in net position.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

14. Fair Values of Financial Instruments

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

- *Cash and cash equivalents, accounts payable, unearned revenue, Medicare advance payments, accrued expenses, estimated third-party payor settlements and short-term obligations:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.
- *Noncurrent cash and investments:* These assets consist of cash, certificates of deposit, and money market funds. The cash and certificates of deposit are stated at amortized cost, which approximates its fair value. The money market funds are stated at fair value. See Note 15 for fair value measurements.
- *Long-term debt:* The fair value of the Authority's fixed rate certificates is based on quoted market value for same or similar debt instruments. The carrying amount of remaining debt obligations approximates fair value.

The carrying amount and fair value of the Authority's long-term debt at September 30, 2021 and 2020 is as follows:

	2021		2020	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 9,205,000	\$ 10,171,000	\$ 10,152,000	\$ 10,870,000

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

15. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of September 30, 2021 and 2020:

<u>September 30, 2021</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 190,000	\$ 190,000	\$ -	\$ -

<u>September 30, 2020</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 216,000	\$ 216,000	\$ -	\$ -

Money market funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

16. Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	21%	25%
Medicaid	9%	6%
Blue Cross	9%	6%
Other third-party payors	19%	15%
Patients	<u>42%</u>	<u>48%</u>
	<u>100%</u>	<u>100%</u>

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

17. Management Agreement

The Authority entered into a Management Services Agreement (Agreement) with Navicent Health, Inc. (Navicent) on September 1, 2016. The initial term of the Agreement is for five years. The amounts paid were \$402,000 in fiscal year 2021 and \$400,000 in fiscal year 2020. Amounts paid to Navicent Health, Inc. under the agreement are reported with total operating expenses on the statements of revenues, expenses, and changes in net position.

18. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2024. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2020 and 2021. Contributions received under the program approximated \$1,740,000 during fiscal year 2021 and \$543,000 during fiscal year 2020. The Hospital will have to be approved by the State to participate in the program in each subsequent year. These funds are reflected in noncapital grants and contributions in the accompanying statements of revenues, expenses and changes in net position.

19. Management's Plan

In September 2016, the Authority entered into a management agreement with Navicent Health of Macon, Georgia. The purpose is to affiliate the two hospitals through a management contract for Navicent to oversee the day-to-day operations at Monroe County Hospital (Hospital), to affiliate closely for exchange of acute care hospital services, and to establish a joint venture for outpatient medical services to be based in Monroe County. The Monroe County Commissioners agreed to support a strategic business plan that secures the future of the Hospital through such an affiliation.

In March 2017, voters in Monroe County (County) voted to increase the property tax millage rate to assist with the restructuring of the Authority. The Authority secured bonds to pay off its existing debt and to make four million dollars in capital improvements to the facility.

The management team and the Monroe County Authority are committed to the success of the Hospital. The renovations of the emergency department, patient rooms, and other areas of the Hospital are complete.

The pandemic has stressed the delivery of healthcare nationwide. Management efforts during this crisis has been focused on maintaining the workforce and developing a plan to react quickly when a surge occurs. The management team will continue to focus on providing quality care and excellent service for the community. See Note 20 for additional information.

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended September 30, 2021 and 2020

20. Coronavirus

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the US healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Authority's customers, employees and vendors. All of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain.

21. CARES Act

On March 27, 2020, the President signed the CARES Act. Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position. The Authority received approximately \$3,614,000 in grant stimulus funding in fiscal year 2020, of which approximately \$979,000 was recognized as nonoperating revenues in fiscal year 2020. During fiscal year 2021, approximately \$1,858,000 was recognized as nonoperating revenues.

The CARES Act funding may be subject to audits. While the Authority currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payment could be recouped based on changes in reporting requirements or audit results.

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment with a rate of 25% for the first 11 months of repayment, and 50% for the 6 months afterward. After the 29-month period, CMS will issue letters requiring repayment of any outstanding balance, subject to an interest rate of 4%. In April 2020, the Authority received approximately \$1,230,000 in advanced payments. During 2021, the Authority repaid approximately \$237,000.

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



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

Board of Trustees
Hospital Authority of Monroe County
Forsyth, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Authority of Monroe County (Authority), which comprise the balance sheet as of September 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued

Compliance and Other Matters

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

Purpose of this Report

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

DRAFFIN + TUCKER, LLP

Albany, Georgia
April 27, 2022