

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

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FINANCIAL STATEMENTS

for the years ended August 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Hospital Authority of Washington County  
Sandersville, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of Hospital Authority of Washington County (Authority), which comprise the balance sheets as of August 31, 2014 and 2013, 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.

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### *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.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Authority of Washington County as of August 31, 2014 and 2013, and the results of its operations, the changes in its net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Going Concern*

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 13 to the financial statements, the Authority has suffered recurring losses from operations, has a net position deficiency, has current liabilities that exceed its current assets, and is late in funding its defined benefit pension plan. These issues raise substantial doubt about the Authority's ability to continue as a going concern. Management's plans regarding these matters also are described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

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*Other Matter*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Schedule of Funding Progress for Defined Benefit Pension Plan on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

*Draffin & Tucker, LLP*

Atlanta, Georgia  
April 29, 2015

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Balance Sheets  
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 499,000	\$ 1,155,000
Patient accounts receivable, net of estimated uncollectibles of \$6,993,000 in 2014 and \$5,406,000 in 2013	1,641,000	2,918,000
Supplies, at lower of cost (first-in, first-out) or market	455,000	561,000
Other current assets	<u>197,000</u>	<u>293,000</u>
Total current assets	<u>2,792,000</u>	<u>4,927,000</u>
<i>Noncurrent cash and investments:</i>		
Restricted for scholarships and education	14,000	14,000
Internally designated	196,000	55,000
Other long-term investments	<u>61,000</u>	<u>57,000</u>
Total noncurrent cash and investments	<u>271,000</u>	<u>126,000</u>
<i>Capital assets:</i>		
Land	117,000	117,000
Depreciable capital assets, net of accumulated depreciation	<u>4,098,000</u>	<u>4,865,000</u>
Total capital assets, net of accumulated depreciation	<u>4,215,000</u>	<u>4,982,000</u>
<i>Other assets:</i>		
Physician and student loan receivable, net	<u>9,000</u>	<u>17,000</u>
Total assets	<u>\$ 7,287,000</u>	<u>\$ 10,052,000</u>

	<u>2014</u>	<u>2013</u>
<b>Liabilities and Net Position</b>		
<i>Current liabilities:</i>		
Short-term obligations	\$ 2,400,000	\$ 1,340,000
Current maturities of long-term debt	167,000	770,000
Accounts payable	2,703,000	2,498,000
Accrued expenses	1,041,000	1,014,000
Estimated third-party payor settlements	<u>280,000</u>	<u>789,000</u>
Total current liabilities	6,591,000	6,411,000
Long-term debt, net of current maturities	367,000	536,000
Accrued pension cost	<u>1,936,000</u>	<u>2,010,000</u>
Total liabilities	<u>8,894,000</u>	<u>8,957,000</u>
<i>Net position:</i>		
Net investment in capital assets	3,681,000	3,676,000
Restricted for scholarships and education	14,000	14,000
Unrestricted	<u>(5,302,000)</u>	<u>( 2,595,000)</u>
Total net position	<u>(1,607,000)</u>	<u>1,095,000</u>
Total liabilities and net position	<u>\$ 7,287,000</u>	<u>\$ 10,052,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$4,869,000 in 2014 and \$5,600,000 in 2013)	\$ 22,872,000	\$ 25,067,000
EHR meaningful use incentive revenue	687,000	1,353,000
Other revenue	<u>390,000</u>	<u>422,000</u>
Total operating revenues	<u>23,949,000</u>	<u>26,842,000</u>
Operating expenses:		
Salaries and wages	12,687,000	14,452,000
Employee benefits	2,546,000	2,913,000
Purchased services and professional fees	3,959,000	4,249,000
Supplies and drugs	3,482,000	3,485,000
Depreciation and amortization	839,000	916,000
Other expense	<u>3,458,000</u>	<u>3,468,000</u>
Total operating expenses	<u>26,971,000</u>	<u>29,483,000</u>
Operating loss	<u>( 3,022,000)</u>	<u>( 2,641,000)</u>
Nonoperating revenues (expenses):		
Investment income	22,000	26,000
Interest expense	( 149,000)	( 99,000)
Noncapital grants from Washington County	429,000	295,000
Other noncapital grants	<u>10,000</u>	<u>25,000</u>
Total nonoperating revenues	<u>312,000</u>	<u>247,000</u>
Excess revenues (expenses) before capital grants and contributions	<u>( 2,710,000)</u>	<u>( 2,394,000)</u>

Continued



HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Revenues, Expenses, and Changes in Net Position, Continued  
Years Ended August 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
Capital grants from Washington County for bond payments	\$ -	\$ 134,000
Sales tax proceeds from Washington County for capital acquisitions	<u>8,000</u>	<u>646,000</u>
Change in net position	(2,702,000)	(1,614,000)
Net position, beginning of year	<u>1,095,000</u>	<u>2,709,000</u>
Net position, end of year	<u>\$(1,607,000)</u>	<u>\$ 1,095,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Cash Flows  
Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 23,580,000	\$ 25,496,000
Payments to suppliers and contractors	(10,497,000)	(10,806,000)
Payments to employees	(15,267,000)	(17,427,000)
EHR meaningful use incentive receipts	747,000	1,243,000
Other receipts	<u>390,000</u>	<u>422,000</u>
Net cash used by operating activities	( 1,047,000)	( 1,072,000)
Cash flows from noncapital financing activities:		
Proceeds from issuance of short-term obligation	1,200,000	1,018,000
Principal paid on short-term obligations	( 140,000)	( 230,000)
Interest paid on short-term obligations	( 88,000)	( 44,000)
Noncapital grants from Washington County	429,000	320,000
Other noncapital grants	<u>10,000</u>	<u>25,000</u>
Net cash provided by noncapital financing activities	<u>1,411,000</u>	<u>1,089,000</u>
Cash flows from capital and related financing activities:		
Capital grants from Washington County for bond payments	-	145,000
Sales tax proceeds from Washington County for capital acquisitions	8,000	646,000
Principal paid on long-term debt	( 772,000)	( 761,000)
Interest paid on long-term debt	( 61,000)	( 53,000)
Purchase of capital assets	<u>( 72,000)</u>	<u>( 313,000)</u>
Net cash used by capital and related financing activities	( 897,000)	( 336,000)
Cash flows from investing activities:		
Investment income	<u>18,000</u>	<u>31,000</u>
Net change in cash and cash equivalents	( 515,000)	( 288,000)
Cash and cash equivalents, beginning of year	<u>1,210,000</u>	<u>1,498,000</u>
Cash and cash equivalents, end of year	\$ <u>695,000</u>	\$ <u>1,210,000</u>

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Cash Flows, Continued  
 Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 499,000	\$ 1,155,000
Cash and cash equivalents in noncurrent cash and investments:		
Internally designated	<u>196,000</u>	<u>55,000</u>
Total cash and cash equivalents	<u>\$ 695,000</u>	<u>\$ 1,210,000</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$(3,022,000)	\$(2,641,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	839,000	916,000
Provision for bad debts	4,869,000	5,600,000
Changes in:		
Patient accounts receivable	(3,592,000)	(5,656,000)
Estimated third-party payor settlements	( 509,000)	375,000
Supplies	106,000	( 85,000)
Other current assets	96,000	( 31,000)
Physician and student loan receivable	8,000	29,000
Accounts payable	205,000	496,000
Accrued expenses	27,000	65,000
Accrued pension cost	<u>( 74,000)</u>	<u>( 140,000)</u>
Net cash used by operating activities	<u>\$(1,047,000)</u>	<u>\$(1,072,000)</u>

Noncash capital and financing activities:

- The Authority entered into capital lease obligations of \$-0- and \$300,000 for new equipment in 2014 and 2013, respectively.

See accompanying notes to financial statements.

# HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

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

*Reporting entity.* The Hospital Authority of Washington County (Authority), is a public body corporate and politic organized under the Hospital Authorities Law of the State of Georgia. It was created on March 4, 1957 by the Commissioners of Washington County, Georgia to operate, control, and manage all matters concerning the county's health care functions. The Authority owns and operates Washington County Regional Medical Center, a fifty-six (56) bed acute care hospital, and Washington County Extended Care Facility, a sixty (60) bed long-term care facility.

*Use of estimates.* The preparation of financial statements in conformity 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.

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, estimated third-party payor settlements, and actuarially determined benefit liabilities. In particular, 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 associated with these programs will change by a material amount in the near term.

*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 health, dental, and accident 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.

*Cash and cash equivalents.* Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements

August 31, 2014 and 2013

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

*Allowance for doubtful accounts.* The Authority provides an allowance for doubtful accounts based on an evaluation of the overall collectibility of the patient accounts receivable. As accounts are known to be uncollectible, the account is charged against the allowance.

*Noncurrent cash and investments.* Noncurrent cash and investments include restricted contributions that are to be used for providing educational scholarships, assets internally designated for capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and stock received as payment on a receivable.

*Investments in debt and equity securities.* Investments in debt and equity securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

*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.

*Capital assets.* The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 To 20 Years
Buildings and building improvements	20 To 40 Years
Equipment, computers and furniture	3 To 10 Years

The Authority evaluates capital assets regularly for impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying value. The Authority has not recorded any impairment charges during 2014 or 2013.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

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

*Costs of borrowing.* 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. None of the Authority's interest cost was capitalized in either 2014 or 2013.

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

*Compensated absences.* The Authority's employees earn paid days off (PDO) at varying rates depending on years of service. Employees who retire or resign in good standing receive payment for accumulated PDO. Employees do not receive payment for extended illness bank hours upon retirement or resignation. The estimated amount of PDO's payable is reported as a current liability in 2014 and 2013.

*Net position.* Net position is classified into components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. The *restricted* component of net position consists of restricted assets reduced by liabilities related to those assets. The *unrestricted* component of net position is the amount of assets and liabilities that is not included in the determination of *net investment in capital assets* or the *restricted* component of net position.

*Operating revenues and expenses.* The Authority's statement 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.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

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

*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 Washington County, the State of Georgia and the Federal Government, 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.

*Income taxes.* The Authority is a governmental entity and is recognized as tax-exempt. Accordingly, no provision for income taxes has been provided.

*Recently adopted accounting pronouncements.* In 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or as outflows of resources (expenses) or inflows of resources (revenues). The adoption of this statement had no material impact on the financial statements of the Authority.

In 2014, the Authority adopted GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62*. This statement is intended to resolve conflicting accounting and financial reporting guidance that could diminish the consistency in financial reporting. The adoption of this statement had no material impact on the financial statements of the Authority.

In 2014, the Authority adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which improves accounting and financial reporting for governments that extend and receive nonexchange financial guarantees. The adoption of this statement had no material impact on the financial statements of the Authority.

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# HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

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

*Recently issued accounting pronouncements.* In 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and in 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which require enhanced note disclosure and required supplementary information for both defined benefit and defined contribution pension plans as well as provide standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pension plans. GASB Statements No. 68 and No. 71 must be adopted no later than the year ending August 31, 2015. The Authority has not yet determined the impact of these statements on the financial statements.

In 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement must be adopted no later than the year ending August 31, 2015. The adoption of this statement is not expected to have a material effect on the financial statements of the Authority.

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

- *Medicare.* Inpatient services, outpatient services and long-term care 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. Certain reimbursable items are 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 Medicare cost reports have been settled by the MAC through August 31, 2011. Revenue from the Medicare program accounted for approximately 47% and 48% of the Authority's net patient service revenue for the years ended August 31, 2014 and 2013, respectively.

Continued



HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

2. Net Patient Service Revenue, Continued

- *Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Outpatient services are generally paid under a cost reimbursement methodology. The Authority is reimbursed for cost reimbursable items 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 settled by the Medicaid fiscal intermediary through August 31, 2010. Long-term care services rendered to Medicaid program beneficiaries are reimbursed based on a prospectively determined per diem rate. The per diem rate is determined by the extended care facility's historical allowable operating costs adjusted for certain incentives, inflation factors, and patient acuity factors. Revenue from the Medicaid program accounted for approximately 39% and 38% of the Authority's net patient service revenue for the years ended August 31, 2014 and 2013, respectively.

The Authority has also entered into contracts with certain care management organizations (CMO's) to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these CMO's consist primarily of prospectively determined rates per discharge and discounts from established charges.

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 net amount of ICTF payments recognized in net patient service revenues was approximately \$742,000 and \$628,000 for the years ended August 31, 2014 and 2013, respectively.

The Authority also participates in the Medicaid Upper Payment Limit (UPL) program. 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 \$364,000 and \$480,000 for the years ended August 31, 2014 and 2013, respectively.

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HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

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 provider payments are due on a quarterly basis to the State of Georgia. 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 will result in a corresponding increase in Medicaid payments for hospital services of approximately 11.88%. The Authority made provider payments to the State of Georgia of approximately \$277,000 and \$269,000 in 2014 and 2013, respectively. The payments are included in other expense in the accompanying statements of revenues, expenses and changes in net position.

The Authority also has 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. **Charity Care**

Charges excluded from revenue under the Authority's charity care policy were approximately \$883,000 and \$602,000 for the years ended August 31, 2014 and 2013, respectively.

4. **Restricted and Designated Net Position**

The Authority has received restricted contributions that are to be used for providing educational scholarships.

The Authority's Board of Trustees has designated \$196,000 in 2014 and \$55,000 in 2013 of the unrestricted net position for capital acquisitions. 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 WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

5. Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. At August 31, 2014 and 2013, the Authority's deposits were entirely insured or collateralized.

The carrying amounts of deposits and investments are included in the Authority's balance sheets as follows:

	<u>2014</u>	<u>2013</u>
Deposits	\$ 709,000	\$ 1,224,000
Investments	<u>61,000</u>	<u>57,000</u>
Total	<u>\$ 770,000</u>	<u>\$ 1,281,000</u>

Included in the following balance sheet captions:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 499,000	\$ 1,155,000
Restricted for scholarships and education	14,000	14,000
Internally designated	196,000	55,000
Other long-term investments	<u>61,000</u>	<u>57,000</u>
Total	<u>\$ 770,000</u>	<u>\$ 1,281,000</u>

The Authority's investments are reported at fair value. At August 31, 2014 and 2013, the Authority's investments consisted of the following:

	<u>2014</u>	<u>2013</u>
The Southern Company common stock	\$ <u>61,000</u>	\$ <u>57,000</u>

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HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements

August 31, 2014 and 2013

6. **Accounts Receivable and Payable**

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at August 31, 2014 and 2013 consisted of these amounts:

	<u>2014</u>	<u>2013</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 7,352,000	\$ 6,561,000
Receivable from Medicare	860,000	1,275,000
Receivable from Medicaid	<u>422,000</u>	<u>488,000</u>
Total patient accounts receivable	8,634,000	8,324,000
Less allowance for uncollectible amounts	<u>6,993,000</u>	<u>5,406,000</u>
Patient accounts receivable, net	\$ <u>1,641,000</u>	\$ <u>2,918,000</u>

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor settlements.

	<u>2014</u>	<u>2013</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 1,004,000	\$ 963,000
Payable to suppliers	2,703,000	2,498,000
Other	<u>37,000</u>	<u>51,000</u>
Total accounts payable and accrued expenses	\$ <u>3,744,000</u>	\$ <u>3,512,000</u>

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HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

7. Capital Assets

Capital asset additions, retirements, transfers and balances for the years ended August 31, 2014 and 2013 are as follows:

	Balance <u>August 31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance <u>August 31, 2014</u>
Land	\$ <u>117,000</u>	\$ -	\$ -	\$ -	\$ <u>117,000</u>
Total nondepreciable capital assets	<u>117,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,000</u>
Land improvements	381,000	-	-	-	381,000
Buildings and improvements	12,451,000	4,000	-	-	12,455,000
Equipment	<u>15,221,000</u>	<u>68,000</u>	<u>(52,000)</u>	<u>-</u>	<u>15,237,000</u>
Total depreciable capital assets at historical cost	<u>28,053,000</u>	<u>72,000</u>	<u>(52,000)</u>	<u>-</u>	<u>28,073,000</u>
Less accumulated depreciation for:					
Land improvements	( 369,000)	( 2,000)	-	-	( 371,000)
Buildings and improvements	( 9,507,000)	(196,000)	-	-	( 9,703,000)
Equipment	<u>(13,312,000)</u>	<u>(641,000)</u>	<u>52,000</u>	<u>-</u>	<u>(13,901,000)</u>
Total accumulated depreciation	<u>(23,188,000)</u>	<u>(839,000)</u>	<u>52,000</u>	<u>-</u>	<u>(23,975,000)</u>
Net depreciable capital assets	<u>4,865,000</u>	<u>(767,000)</u>	<u>-</u>	<u>-</u>	<u>4,098,000</u>
Total capital assets, net	\$ <u>4,982,000</u>	\$ <u>(767,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,215,000</u>

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

7. Capital Assets, Continued

	Balance August 31, 2012	Additions	Retirements	Transfers	Balance August 31, 2013
Land	\$ 117,000	\$ -	\$ -	\$ -	\$ 117,000
Construction-in-progress	<u>56,000</u>	<u>-</u>	<u>-</u>	<u>(56,000)</u>	<u>-</u>
Total nondepreciable capital assets	<u>173,000</u>	<u>-</u>	<u>-</u>	<u>(56,000)</u>	<u>117,000</u>
Land improvements	381,000	-	-	-	381,000
Buildings and improvements	12,410,000	22,000	-	19,000	12,451,000
Equipment	<u>14,593,000</u>	<u>591,000</u>	<u>-</u>	<u>37,000</u>	<u>15,221,000</u>
Total depreciable capital assets at historical cost	<u>27,384,000</u>	<u>613,000</u>	<u>-</u>	<u>56,000</u>	<u>28,053,000</u>
Less accumulated depreciation for:					
Land improvements	( 365,000)	( 4,000)	-	-	( 369,000)
Buildings and improvements	( 9,304,000)	(203,000)	-	-	( 9,507,000)
Equipment	<u>(12,603,000)</u>	<u>(709,000)</u>	<u>-</u>	<u>-</u>	<u>(13,312,000)</u>
Total accumulated depreciation	<u>(22,272,000)</u>	<u>(916,000)</u>	<u>-</u>	<u>-</u>	<u>(23,188,000)</u>
Net depreciable capital assets	<u>5,112,000</u>	<u>(303,000)</u>	<u>-</u>	<u>56,000</u>	<u>4,865,000</u>
Total capital assets, net	<u>\$ 5,285,000</u>	<u>\$(303,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,982,000</u>

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

8. Short-Term Obligations

A schedule of changes in the Authority's short-term obligations for 2014 and 2013 follows:

	Balance <u>August 31, 2013</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>August 31, 2014</u>
Citizens	\$ 400,000	\$ -	\$ -	\$ 400,000
First Insurance	140,000	-	(140,000)	-
Warthen	<u>800,000</u>	<u>1,200,000</u>	-	<u>2,000,000</u>
Total	<u>\$ 1,340,000</u>	<u>\$ 1,200,000</u>	<u>\$(140,000)</u>	<u>\$ 2,400,000</u>

  

	Balance <u>August 31, 2012</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>August 31, 2013</u>
Citizens	\$ 450,000	\$ -	\$( 50,000)	\$ 400,000
First Insurance	102,000	218,000	(180,000)	140,000
Warthen	-	<u>800,000</u>	-	<u>800,000</u>
Total	<u>\$ 552,000</u>	<u>\$ 1,018,000</u>	<u>\$(230,000)</u>	<u>\$ 1,340,000</u>

The terms and purposes of the Authority's short-term obligations follow:

- Citizens Bank of Washington County – Note payable used to fund intergovernmental transfer related to ICTF funding. On April 14, 2014, the note was renewed with a maturity date of April 14, 2015, and an interest rate of 3.25%. The note is secured by hospital property. Interest on the note is paid monthly while the principal is due at maturity.
- First Insurance Funding Corp. – Notes payable used to finance insurance premiums. The note entered into during 2013 bears interest at 4.75%, is payable in eleven monthly payments of approximately \$20,000, and is secured by the premiums financed. The note was paid off in 2014.
- Geo. D. Warthen Bank – Line-of-credit used to fund operations, with a principal amount of \$2,000,000 and an interest rate of 3.75%, collateralized by all accounts and chattel paper. The line-of-credit was renewed on September 2, 2014, with a maturity date of March 2, 2015. The line-of-credit was replaced on November 5, 2014 with a maturity date of May 5, 2015, and an increase in the credit limit to \$2,500,000.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

9. Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2014 and 2013 follows:

	<u>Balance</u> <u>August 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds:					
1998 Series	\$ 570,000	\$ -	\$(570,000)	\$ -	\$ -
Notes payable:					
Citizens (a)	236,000	-	( 28,000)	208,000	29,000
Citizens (b)	3,000	-	( 3,000)	-	-
Capital lease obligations	<u>497,000</u>	<u>-</u>	<u>(171,000)</u>	<u>326,000</u>	<u>138,000</u>
Total long-term debt	<u>\$ 1,306,000</u>	<u>\$ -</u>	<u>\$(772,000)</u>	<u>\$ 534,000</u>	<u>\$ 167,000</u>
	<u>Balance</u> <u>August 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds:					
1998 Series	\$ 1,115,000	\$ -	\$(545,000)	\$ 570,000	\$ 570,000
Notes payable:					
Citizens (a)	263,000	-	( 27,000)	236,000	28,000
Citizens (b)	21,000	-	( 18,000)	3,000	3,000
Queensborough	13,000	-	( 13,000)	-	-
Capital lease obligations	<u>355,000</u>	<u>300,000</u>	<u>(158,000)</u>	<u>497,000</u>	<u>169,000</u>
Total long-term debt	<u>\$ 1,767,000</u>	<u>\$ 300,000</u>	<u>\$(761,000)</u>	<u>\$ 1,306,000</u>	<u>\$ 770,000</u>

Continued



HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

9. Long-Term Debt, Continued

The terms and due dates of the Authority's long-term debt at August 31, 2014 and 2013, follows:

- 1998 Bonds - 3.50% to 4.85% 1998 Revenue Anticipation Improvement Certificates, principal maturing in varying annual amounts, due September 1, 2013, collateralized by a pledge of the Authority's gross revenues.
- Citizens Bank of Washington County (a) - 4.00% note payable, payable in monthly installments of \$3,000 and balance due at maturity, due February 20, 2016, collateralized by equipment.
- Citizens Bank of Washington County (b) - 3.57% note payable, payable in monthly installments of \$2,000, due October 15, 2013, collateralized by equipment.
- Capital lease obligations, at varying rates of imputed interest from 2.93% to 4.99%, collateralized by leased equipment with a cost of \$673,000 and accumulated amortization of \$348,000 at August 31, 2014.

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

<u>Year Ending August 31:</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 28,000	\$ 8,000	\$ 138,000	\$ 10,000
2016	180,000	3,000	90,000	5,000
2017	-	-	51,000	3,000
2018	-	-	<u>47,000</u>	<u>2,000</u>
Total	<u>\$ 208,000</u>	<u>\$ 11,000</u>	<u>\$ 326,000</u>	<u>\$ 20,000</u>

The 1998 Bonds require monies be deposited into a Sinking Fund and a Debt Service Reserve Fund. The Sinking Fund and Debt Service Reserve Fund must maintain required balances. As of August 31, 2013, the Authority had not deposited monies into these separate Funds and the Funds did not have the required balances. On September 1, 2013, the Authority paid off the 1998 Bonds.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

10. **Defined Benefit Pension Plan**

*Plan description.* The Authority has a defined benefit pension plan. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The plan is a single employer pension plan and the Authority is providing for the cost of this plan as benefits are accrued based upon actuarial determinations employing the aggregate cost method. Effective March 10, 2004, the Authority elected to freeze the plan. Benefits will not accrue for wages and services subsequent to that date. For more information on the defined benefit pension plan, please contact the Authority at Washington County Regional Medical Center, P. O. Box 636, Sandersville, Georgia 31082.

*Funding policy.* Plan members are not required to make contributions to the plan. The Authority's contribution requirements are determined based on actuarial determinations and are funded by the Authority at its discretion.

*Annual pension cost and net pension obligation.* The Authority's annual pension cost and net pension obligation at August 31, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 261,000	\$ 284,000
Interest on net pension obligation	109,000	113,000
Adjustment to annual required contribution	<u>( 444,000)</u>	<u>( 152,000)</u>
Annual pension cost	( 74,000)	245,000
Contributions made	<u>—</u>	<u>( 385,000)</u>
Decrease in net pension obligation	( 74,000)	( 140,000)
Net pension obligation, beginning of year	<u>2,010,000</u>	<u>2,150,000</u>
Net pension obligation, end of year	\$ <u>1,936,000</u>	\$ <u>2,010,000</u>

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

10. **Defined Benefit Pension Plan, Continued**

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the aggregate cost method. The actuarial assumptions included (a) 6.75% pre-retirement investment rate of return (net of administrative expenses) and (b) 6.75% post-retirement return. There were no projected salary increases due to the plan being frozen effective March 10, 2004. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
August 31, 2012	\$ 218,000	100%	\$ 2,150,000
August 31, 2013	\$ 245,000	100%	\$ 2,010,000
August 31, 2014	\$ ( 74,000)	0%	\$ 1,936,000

*Funded status and funding progress.* The funded status of the plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
January 1, 2013	\$ <u>1,338,000</u>	\$ <u>2,456,000</u>	\$ <u>1,118,000</u>	54%	N/A	N/A

Because the aggregate cost method does not identify or separately amortize the unfunded actuarial accrued liabilities, information about the plan's funded status and funding progress is prepared using the entry age actuarial cost method. The information is intended to serve as a surrogate for the funded status and funding progress of the plan.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

**11. Defined Contribution Plan**

Effective March 1, 2004, the Authority adopted the Hospital Authority of Washington County 403(b) Plan (Plan), a defined contribution plan. Employees must work 20 or more hours per week to be eligible to participate in the Plan. Employees must complete 1 hour of service to make elective deferrals to the Plan and must complete 3 months of service and attain the age of 18 to receive matching and non-elective contributions to the Plan. Employees are 100% vested in elective deferrals made to the Plan. For matching and non-elective contributions to the Plan, employees are 50% vested after one year of service and 100% vested after two years of service.

Employees may make elective deferrals to the Plan up to 100% of their compensation, except that elective deferrals for any calendar year cannot exceed the annual dollar limit permitted by the Internal Revenue Code. Employee elective deferrals to the Plan during 2014 and 2013 were approximately \$141,000 and \$164,000, respectively.

The Authority makes matching contributions to the Plan in an amount equal to \$.50 for each \$1.00 the employee elects to defer up to a maximum matching contribution of \$500. The Authority may also make additional non-elective contributions at its discretion. During 2014 and 2013, the Authority made matching contributions to the Plan of \$35,000 and \$38,000, respectively. The Authority did not make any non-elective contributions to the Plan in 2014 or 2013.

**12. Physician and Student Loan Receivables**

Physician receivables consist primarily of advances to physicians under recruiting arrangements. In general, the advances are forgiven over a period of time during which the physicians practice medicine in the Authority's service area. If the physician ceases to practice medicine in the Authority's service area, the outstanding balance becomes due immediately. The amount of physician receivables forgiven and charged to expense during the years ended August 31, 2014 and 2013 was \$8,000 and \$25,000, respectively.

Student loans consist primarily of loans to students entering the medical field who agree to become employees of the Authority. Generally, the loans are forgiven during the term of employment with the Authority. If the student ceases employment with the Authority, the outstanding balance becomes due immediately. The amount of student loan receivables forgiven and charged to expense was \$0- and \$4,000 during the years ended August 31, 2014 and 2013, respectively.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

13. Contingencies

*Going concern.* The Authority reported a decrease in net position the last four (4) years including decreases of \$2,702,000 and \$1,614,000 in 2014 and 2013, respectively. The Authority has a net position deficiency (liabilities exceed assets) of \$1,607,000 at August 31, 2014. The Authority's current liabilities exceed its current assets by \$3,799,000 at August 31, 2014. Also, the Authority is approximately two (2) years behind in the funding of its defined benefit pension plan. These issues raise substantial doubt about the Authority's ability to continue as a going concern. The Authority's plans to improve its financial position are as follows:

- *Management Agreement with University Health, Inc.* On December 8, 2014, the Authority entered into a Management Agreement with University Health, Inc. (University). The Management Agreement begins January 1, 2015 for a period of five (5) years.
- *Revenue increasing initiatives.* In alliance with University, the Authority is expanding cardiology services. This expansion will include features such as daily availability of stress tests and increase in cardiac rehabilitation usage. The Authority also reinstated orthopedic services in October 2013. This reinstatement has resulted in growth in the surgery department. There are also plans to expand orthopedic services in partnership with University. Other service lines such as vascular surgery and ENT are also under review to grow the surgery services.
- *Expense reduction.* The Authority is a member of a purchasing group which provides discounts in supply cost and the Authority has implemented further cost reductions by leveraging University's purchasing power and purchasing agreements. The Authority has implemented various strategies to reduce labor cost, which includes reduction of certain benefits, reduction of overtime, reduction of shift differentials, and reduction of staff through attrition. In October 2013, the Authority changed from a PPO to POS health plan, reducing cost. Additionally, the Authority has renegotiated various contracts for further expense reductions.

*Litigation.* The Authority 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 Authority's future financial position or results from operations.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

**13. Contingencies, Continued**

*Insurance arrangements.* The Authority has claims-made insurance coverage for professional liability and occurrence insurance coverage for general liability. The insurance policies have limits of \$1,000,000 per claim/occurrence and \$3,000,000 annual aggregate. The Authority's deductible for the professional liability policy is \$50,000 for each claim. The Authority's deductible for the general liability policy is \$10,000 per occurrence. The Authority has also purchased excess liability insurance coverage with a policy limit of \$1,000,000 per claim and \$1,000,000 annual aggregate. Estimated accruals for claims incurred but not reported have been recorded.

*Health care reform.* In recent years, 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. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms, and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

**14. EHR Meaningful Use Incentives**

Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals (Providers) when they adopt certified electronic health record (EHR) technology or become "meaningful users" of EHRs in ways that demonstrate improved quality, safety, and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid Providers can receive their initial incentive payment by adopting, implementing or upgrading certified EHR technology, but must demonstrate meaningful use of EHRs in subsequent years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments.

The Authority recognizes income related to Medicare and Medicaid incentive payments using a contingency model. Under this model, the income from incentive payments would be recorded entirely in the period in which the last remaining contingency is resolved.

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Notes to Financial Statements  
August 31, 2014 and 2013

14. **EHR Meaningful Use Incentives, Continued**

During 2014 and 2013, the Authority attested that it met all requirements to receive Medicare and Medicaid incentive payments. The Authority's attestations were approved by Medicare and Medicaid, and the accompanying financial statements reflect Medicare incentive payments received for 2014 and 2013 totaling approximately \$439,000 and \$811,000, respectively, and Medicaid incentive payments received for 2014 and 2013 totaling \$248,000 and \$542,000, respectively. These amounts are included with total operating revenues on the statements of revenues, expenses and changes in net position. If the Authority satisfies specified meaningful use criteria in future periods, it may become entitled to additional Medicare and Medicaid incentive payments; however, as it has not met these specific requirements as of August 31, 2014, no such additional amounts are accrued.

15. **Subsequent Events**

In January 2015, the Authority entered into a promissory note with Citizens Bank of Washington County in the amount of \$501,000. The note bears interest at 4% and is collateralized by property. The loan is for operating purposes.

In March 2015, the Authority entered into a line-of-credit promissory note in the amount of \$1,000,000 with University. The line-of-credit bears interest at 5%. The line-of-credit is for operating purposes.

In April 2015, the Authority entered into a promissory note with Citizens Bank of Washington County in the amount of \$1,097,000. The note bears interest at 4% and is collateralized by property. The loan was used to refinance a short-term obligation (see Note 8), a long-term note (see Note 9), and the loan entered into in January 2015 (see above).

REQUIRED SUPPLEMENTARY INFORMATION

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HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Required Supplementary Information  
August 31, 2014 and 2013

Schedule of Funding Progress for Defined Benefit Pension Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
January 1, 2011	\$ 1,461,000	\$ 2,559,000	\$ 1,098,000	57%	N/A	N/A
January 1, 2012	\$ 1,355,000	\$ 2,594,000	\$ 1,239,000	52%	N/A	N/A
January 1, 2013	\$ 1,338,000	\$ 2,456,000	\$ 1,118,000	54%	N/A	N/A

See independent auditor's report.