HOSPITAL AUTHORITY OF WASHINGTON COUNTY

FINANCIAL STATEMENTS

for the years ended August 31, 2021 and 2020

Draffin Tucker

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Draffin Tucker

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 the business-type activities and fiduciary activities of Hospital Authority of Washington County (Authority), as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 opinions 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 August 31, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government 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.

Continued

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Hospital Authority of Washington County as of August 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Economic Dependency

As discussed in Note 12 to the financial statements, the Authority is facing financial difficulty and recurring operating losses. The Authority has become economically dependent on Washington County. See Note 12 for additional details. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as of September 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions on pages 32 through 34, 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.

Continued

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 September 19, 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 the 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

Atlanta, Georgia
September 19, 2022

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Balance Sheets
August 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources:		
Current assets:		
Cash and cash equivalents	$ 9,514,000	$ 10,825,000
Patient accounts receivable, net of estimated uncollectibles of $5,635,000 in 2021 and $5,002,000 in 2020	2,876,000	2,211,000
Estimated third party payor settlements	1,231,000	431,000
Supplies, at lower of cost (first-in, first-out) or market	438,000	436,000
Other current assets	259,000	254,000
Total current assets	14,318,000	14,157,000
Noncurrent cash and investments:		
Restricted for scholarships and education	10,000	10,000
Restricted for capital purchases	703,000	2,550,000
Other long-term investments	90,000	71,000
Total noncurrent cash and investments	803,000	2,631,000
Capital assets:		
Land	117,000	117,000
Construction-in-progress	691,000	-
Depreciable capital assets, net of accumulated depreciation	4,097,000	3,812,000
Total capital assets, net of accumulated depreciation	4,905,000	3,929,000
Total assets	20,026,000	20,717,000
Deferred outflows of resources:		
Pension deferrals	274,000	308,000
Total assets and deferred outflows of resources	$ 20,300,000	$ 21,025,000

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Balance Sheets, Continued
August 31, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position:		
Current liabilities:		
Current maturities of long-term debt	$ 3,183,000	$ 345,000
Accounts payable	2,179,000	2,070,000
Accrued expenses	773,000	939,000
Estimated third-party payor settlements	84,000	286,000
Medicare accelerated payments, current portion	725,000	266,000
Unearned County contributions revenue	726,000	2,573,000
Unearned CARES Act funding	258,000	4,423,000
Credit balances in accounts receivable	375,000	983,000
Accounts payable to AU Medical Associates	2,246,000	2,246,000
Accounts payable to University Health Services, Inc.	389,000	389,000
Note and accrued interest payable to University Health, Inc.	661,000	629,000
Total current liabilities	11,599,000	15,149,000
Noncurrent liabilities:		
Long-term debt, net of current maturities	2,261,000	5,683,000
Medicare accelerated payments, net of current portion	-	739,000
Net pension liability	2,282,000	2,011,000
Total noncurrent liabilities	4,543,000	8,433,000
Total liabilities	16,142,000	23,582,000
Deferred inflows of resources:		
Pension deferrals	14,000	-
Total liabilities and deferred inflows of resources	16,156,000	23,582,000
Net position:		
Net investment in capital assets	4,414,000	3,247,000
Restricted for scholarships and education	10,000	10,000
Unrestricted	(280,000)	(5,814,000)
Total net position	4,144,000	(2,557,000)
Total liabilities, deferred inflows of resources, and net position	$ 20,300,000	$ 21,025,000

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue (net of provision for bad debts of $5,884,000 in 2021 and $5,246,000 in 2020)	$ 20,834,000	$ 19,760,000
Other revenue	179,000	188,000
Total operating revenues	21,013,000	19,948,000
Operating expenses:		
Salaries and wages	9,674,000	10,065,000
Employee benefits	2,635,000	2,697,000
Purchased services and professional fees	4,964,000	4,230,000
Management and shared services fees	1,294,000	1,217,000
Supplies and drugs	2,240,000	2,019,000
Depreciation and amortization	871,000	750,000
Other expense	2,803,000	3,451,000
Total operating expenses	24,481,000	24,429,000
Operating loss	(3,468,000)	(4,481,000)
Nonoperating revenues (expenses):		
Investment income	66,000	34,000
Interest expense	(194,000)	(159,000)
Noncapital grants from Washington County	1,325,000	1,775,000
Rural hospital tax credit contributions	275,000	289,000
CARES Act funding	4,594,000	-
PPP loan and interest forgiven by SBA	2,232,000	-
Other noncapital grants	6,000	729,000
Total nonoperating revenues	8,304,000	2,668,000
Excess revenues (expenses) before capital grants and contributions	4,836,000	(1,813,000)
Capital grants and contributions:		
Sales tax proceeds from Washington County for capital acquisitions	18,000	80,000
Capital grants from Washington County	1,847,000	752,000
Change in net position	6,701,000	(981,000)
Net position, beginning of year	(2,557,000)	(1,576,000)
Net position, end of year	$ 4,144,000	$(2,557,000)

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 18,559,000	$ 20,962,000
Payments to suppliers and contractors	(11,380,000)	(12,041,000)
Payments to employees	(12,128,000)	(12,519,000)
Receipt (recoupment) of Medicare accelerated payments	(280,000)	1,005,000
Other receipts	179,000	188,000
Net cash used by operating activities	(5,050,000)	(2,405,000)
Cash flows from noncapital financing activities:		
CARES Act funding	429,000	4,423,000
Proceeds from PPP loan	1,960,000	2,204,000
Noncapital grants from Washington County	1,325,000	1,775,000
Rural hospital tax credit contributions	275,000	289,000
Other noncapital grants	6,000	729,000
Net cash provided by noncapital financing activities	3,995,000	9,420,000
Cash flows from capital and related financing activities:		
Sales tax proceeds from Washington County for capital acquisitions	18,000	80,000
Capital grants from Washington County	-	1,075,000
Principal paid on long-term debt	(340,000)	(322,000)
Interest paid on long-term debt	(162,000)	(125,000)
Purchase of capital assets	(1,666,000)	(752,000)
Net cash used by capital and related financing activities	(2,150,000)	(44,000)
Cash flows from investing activities:		
Investment income	47,000	42,000
Net cash provided by investing activities	47,000	42,000
Net change in cash and cash equivalents	(3,158,000)	7,013,000
Cash and cash equivalents, beginning of year	13,375,000	6,362,000
Cash and cash equivalents, end of year	$ 10,217,000	$ 13,375,000

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Cash Flows, Continued
Years Ended August 31, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 9,514,000	$ 10,825,000
Cash and cash equivalents in noncurrent cash and investments:		
Restricted for capital purchases	703,000	2,550,000
Total cash and cash equivalents	$ 10,217,000	$ 13,375,000
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$(3,468,000)	$(4,481,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	871,000	750,000
Provision for bad debts	5,884,000	5,246,000
Pension activity	319,000	146,000
Changes in:		
Patient accounts receivable	(6,549,000)	(4,556,000)
Supplies	(2,000)	23,000
Other current assets	(5,000)	(68,000)
Accounts payable	(72,000)	(1,079,000)
Accrued expenses	(138,000)	97,000
Estimated third-party payor settlements	(1,002,000)	30,000
Medicare accelerated payments	(280,000)	1,005,000
Credit balances in accounts receivable	(608,000)	482,000
Net cash used by operating activities	$(5,050,000)	$(2,405,000)
Noncash noncapital financing activities:		
PPP loan and interest forgiven by SBA	$ 2,232,000	$ -
Noncash capital and related financing activities:		
Capital assets acquired through accounts payable	$ 181,000	$ -

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Fiduciary Net Position - Pension Trust Fund
August 31, 2021 and 2020

	2021	2020
Assets:		
Investments, at fair value:		
Pooled separate accounts:		
Large cap equity	$ 14,000	$ 4,000
Small-mid cap equity	16,000	1,000
Fixed income	6,000	-
U.S. real estate	2,000	2,000
Total assets	$ 38,000	$ 7,000
Net position:		
Restricted for pension benefits	$ 38,000	$ 7,000

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

Statements of Changes in Fiduciary Net Position - Pension Trust Fund
Years Ended August 31, 2021 and 2020

	2021	2020
Additions:		
Investment return	$ 12,000	$ 10,000
Employer contributions	146,000	165,000
Total additions	158,000	175,000
Deductions:		
Benefit payments	96,000	272,000
Administrative expenses	31,000	16,000
Total deductions	127,000	288,000
Change in net position	31,000	(113,000)
Net position restricted for pension benefits:		
Beginning of year	7,000	120,000
End of year	$ 38,000	$ 7,000

See accompanying notes to financial statements.

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, and physician practices.

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).

Fiduciary funds. Fiduciary funds are used to account for assets held by the Authority in a trustee capacity for the benefit of individuals. The Authority is the trustee for the Benefit Plan as discussed in Note 9.

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.

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.

Continued

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

Noncurrent cash and investments. Noncurrent cash and investments include restricted contributions that are to be used for providing educational scholarships, restricted contributions from Washington County for capital purchases, 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 acquisition 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 2021 or 2020.

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 2021 or 2020.

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 2021 and 2020.

Net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension items and pension expense, information about the fiduciary net position of the defined benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

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

Deferred inflows of resources. Deferred inflows of resources consist of the unamortized pension items not yet charged to pension expense. See Note 9 for additional information.

Deferred outflows of resources. Deferred outflows of resources consist of pension contributions made subsequent to the measurement date and other pension items not yet charged to pension expense. See Note 9 for additional information.

Net position. Net position is classified into three 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

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. Unearned revenue arises when assets are received before revenue recognition criteria has been satisfied. 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.

Continued

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

Unearned revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. County contributions for capital renovation/equipment purchases are reported as unearned until capital purchases are made. CARES Act funding advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Notes 11 and 15 for additional information.

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

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 No. 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 No. 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.

Recently adopted accounting pronouncement. On September 1, 2020, the Authority adopted Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Authority retroactively implemented this statement effective September 1, 2019 resulting in the presentation of the Statements of Fiduciary Net Position - Pension Trust Fund and Statements of Changes in Fiduciary Net Position - Pension Trust Fund in the accompanying financial statements. The adoption had no impact on net position.

Continued

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

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 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 the 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.

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, 2018.

- *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, 2018. 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.

  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.

Continued

2. Net Patient Service Revenue, Continued

- *Medicaid, continued.* 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 $333,000 and $353,000 during 2021 and 2020, 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 $1,010,000 and $881,000 during 2021 and 2020, respectively.

  The State of Georgia has legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in 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 $105,000 and $132,000 in 2021 and 2020, respectively. The payments are included in other expense in the accompanying statements of revenues, expenses, and changes in net position.

  The State of Georgia also has legislation known as the Nursing Home Provider Fee Act whereby nursing homes in Georgia are assessed a daily provider fee for each bed occupied by a non-Medicaid patient. The provider fees are for the purpose of obtaining additional federal funding to supplement Medicaid payments made to nursing homes. The provider fees are returned to the nursing homes through both higher Medicaid rates and an add-on. The Authority made provider payments to the State of Georgia of approximately $299,000 and $349,000 in 2021 and 2020, 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.

Continued

3. Uncompensated Care

The Authority was compensated for services at amounts less than its established rates (gross patient charges). The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2021 and 2020:

	2021	2020
Gross patient charges	$ 62,449,000	$ 64,881,000
Uncompensated care:		
Medicare	12,971,000	14,885,000
Medicaid	1,222,000	4,198,000
Insurance	20,999,000	20,263,000
Indigent and charity	539,000	529,000
Bad debts	5,884,000	5,246,000
Total uncompensated care	41,615,000	45,121,000
Net patient service revenue	$ 20,834,000	$ 19,760,000

4. Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. At August 31, 2021, the Authority had uninsured cash of approximately $715,000. At August 31, 2020, 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:

	2021	2020
Deposits	$ 10,227,000	$ 13,385,000
Investments	90,000	71,000
Total	$ 10,317,000	$ 13,456,000

Included in the following balance sheet captions:

	2021	2020
Cash and cash equivalents	$ 9,514,000	$ 10,825,000
Restricted for scholarships and education	10,000	10,000
Restricted for capital purchases	703,000	2,550,000
Other long-term investments	90,000	71,000
Total	$ 10,317,000	$ 13,456,000

Continued

4. Deposits and Investments, Continued

The Authority's certificates of deposit are measured at amortized cost.

At August 31, 2021 and 2020, the Authority's investments consisted of the following:

	2021	2020
The Southern Company common stock	$ 90,000	$ 71,000

The Southern Company common stock is classified in Level 1 of the fair value hierarchy and is valued using prices quoted in active markets for the stock.

5. 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, 2021 and 2020 consisted of these amounts:

	2021	2020
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 7,796,000	$ 6,626,000
Receivable from Medicare	516,000	323,000
Receivable from Medicaid	199,000	264,000
Total patient accounts receivable	8,511,000	7,213,000
Less allowance for uncollectible amounts	5,635,000	5,002,000
Patient accounts receivable, net	$ 2,876,000	$ 2,211,000

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

	2021	2020
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 773,000	$ 939,000
Payable to suppliers	2,179,000	2,070,000
Payable to AU Medical Associates	2,246,000	2,246,000
Payable to University Health Services, Inc.	389,000	389,000
Total accounts payable and accrued expenses	$ 5,587,000	$ 5,644,000

Continued

6. Capital Assets

A schedule of changes in the Authority's capital assets for 2021 and 2020 follows:

	Balance August 31, 2020	Additions	Retirements	Balance August 31, 2021
Land	$ 117,000	$ -	$ -	$ 117,000
Construction-in-progress	-	691,000	-	691,000
Land improvements	381,000	-	-	381,000
Buildings and improvements	14,028,000	656,000	-	14,684,000
Equipment	16,690,000	500,000	(342,000)	16,848,000
Totals at historical cost	31,216,000	1,847,000	(342,000)	32,721,000
Less accumulated depreciation for:				
Land improvements	(377,000)	(1,000)	-	(378,000)
Buildings and improvements	(11,263,000)	(510,000)	-	(11,773,000)
Equipment	(15,647,000)	(360,000)	342,000	(15,665,000)
Total accumulated depreciation	(27,287,000)	(871,000)	342,000	(27,816,000)
Total capital assets, net	$ 3,929,000	$ 976,000	$ -	$ 4,905,000

	Balance August 31, 2019	Additions	Retirements	Balance August 31, 2020
Land	$ 117,000	$ -	$ -	$ 117,000
Land improvements	381,000	-	-	381,000
Buildings and improvements	13,724,000	304,000	-	14,028,000
Equipment	16,242,000	448,000	-	16,690,000
Totals at historical cost	30,464,000	752,000	-	31,216,000
Less accumulated depreciation for:				
Land improvements	(376,000)	(1,000)	-	(377,000)
Buildings and improvements	(10,817,000)	(446,000)	-	(11,263,000)
Equipment	(15,344,000)	(303,000)	-	(15,647,000)
Total accumulated depreciation	(26,537,000)	(750,000)	-	(27,287,000)
Total capital assets, net	$ 3,927,000	$ 2,000	$ -	$ 3,929,000

A contract of $1,029,000 exists for the renovation of the Authority's facilities. At August 31, 2021, the remaining commitment on the contract was $339,000.

Continued

7. Payables to University Health, Inc., University Health Services, Inc., and AU Medical Associates

Note and accrued interest. A schedule of changes in the note and accrued interest payables to University Health, Inc. for 2021 and 2020 follows:

	Balance August 31, 2020	Additions	Payments	Balance August 31, 2021
Note	$ 477,000	$ -	$ -	$ 477,000
Interest	152,000	32,000	-	184,000
Total	$ 629,000	$ 32,000	$ -	$ 661,000

	Balance August 31, 2019	Additions	Payments	Balance August 31, 2020
Note	$ 477,000	$ -	$ -	$ 477,000
Interest	118,000	34,000	-	152,000
Total	$ 595,000	$ 34,000	$ -	$ 629,000

The Authority had a $1,000,000 line-of-credit with University Health, Inc. to fund operations. The line-of-credit bears interest at 5.00% and is unsecured. Interest is payable beginning 6 months after the first draw and then monthly thereafter until maturity. Principal is due at maturity, which is the earlier of 6 months following the date the first interest payment is due or the termination date of the management agreement between the Authority and University Health, Inc. The management agreement terminated in December 2015. However, no payments have been made and interest has continued to accrue on the note.

Accounts payable. The Authority had a management agreement with University Health Services, Inc., an affiliate of University Health, Inc., during calendar year 2015. The Authority incurred management fees of approximately $389,000 under the agreement. The Authority has made no payments on the management fees and continues to carry a liability for the unpaid invoices.

During 2017, the Authority contracted with AU Medical Associates to provide certain hospitalist and emergency physician coverage. The Authority incurred hospitalist and emergency physician fees under the agreement during 2018 and 2017. The Authority has made no payments for the services and continues to carry a liability for the unpaid invoices. As of August 31, 2021 and 2020, the Authority owed AU Medical Associates approximately $2,246,000 for the services.

Continued

8. Long-Term Debt

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

	Balance August 31, 2020	Additions	Reductions	Balance August 31, 2021	Amounts Due Within One Year
Direct borrowings:					
Citizens	$ 916,000	$ -	$(62,000)	$ 854,000	$ 854,000
Warthen	2,227,000	-	(88,000)	2,139,000	2,139,000
PPP	2,204,000	1,960,000	(2,204,000)	1,960,000	-
Financed purchase	681,000	-	(190,000)	491,000	190,000
Total long-term debt	$ 6,028,000	$ 1,960,000	$(2,544,000)	$ 5,444,000	$ 3,183,000

	Balance August 31, 2019	Additions	Reductions	Balance August 31, 2020	Amounts Due Within One Year
Direct borrowings:					
Citizens	$ 971,000	$ -	$(55,000)	$ 916,000	$ 63,000
Warthen	2,319,000	-	(92,000)	2,227,000	92,000
PPP	-	2,204,000	-	2,204,000	-
Financed purchase	856,000	-	(175,000)	681,000	190,000
Total long-term debt	$ 4,146,000	$ 2,204,000	$(322,000)	$ 6,028,000	$ 345,000

The terms and due dates of the Authority's long-term debt at August 31, 2021 and 2020, follows:

- Citizens Bank of Washington County - 3.65% note payable, payable in 59 monthly installments of $8,000 and balloon payment of $803,000 at maturity, due August 30, 2022, collateralized by property and equipment.

- Geo. D. Warthen Bank - 4.25% note payable, payable in 59 monthly installments of $15,000 and balloon payment of $2,071,000 at maturity, due July 5, 2022, collateralized by all accounts, chattel, equipment, and inventory.

- Paycheck Protection Program (PPP) - 1.00% note payable, first draw principal and interest forgiven by the SBA in July 2021, second draw principal and interest forgiven by the SBA in April 2022, unsecured.

- CPSI financed purchase - Computer software license agreement, payable in 72 monthly installments of $16,000.

Continued

8. Long-Term Debt, Continued

In April 2020, the Authority received 1st draw loan proceeds of $2,204,000 and in February 2021, the Authority received 2nd draw loan proceeds of $1,960,000 from the Paycheck Protection Program, established as part of the CARES Act and amended by the *Paycheck Protection Program Flexibility Act* (collectively, PPP). The PPP provides 1st draw loans to qualifying businesses in amounts up 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, mortgage interest, rent, and utilities, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first 10 months after the covered period. The Authority believes its use of the 1st draw proceeds is consistent with the PPP and applied for forgiveness. In July 2021, the Authority received full loan and interest forgiveness of its 1st draw from the Small Business Administration and recognized the forgiveness at that time. The PPP provides 2nd draw loans to help fund payroll costs, mortgage interest, rent, utilities, and certain supply costs to qualifying businesses with no more than 300 employees and at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. The 2nd draw is under the same general loan terms as the 1st draw. The Authority believes its use of the 2nd draw proceeds is consistent with the PPP and applied for forgiveness. In April 2022, the Authority received full loan and interest forgiveness of its 2nd draw from the SBA and will recognize the forgiveness at that time.

The Authority's notes payable contain a provision that in an event of default, outstanding obligations may become due and payable immediately.

Scheduled payments on long-term debt and financed purchase are as follows:

	Direct Borrowings		Financed Purchase
Year Ending August 31:	Principal	Interest	Principal
2022	$ 2,993,000	$ 112,000	$ 190,000
2023	-	-	190,000
2024	-	-	111,000
	2,993,000	$ 112,000	$ 491,000
PPP loan to be forgiven	1,960,000		
Total	$ 4,953,000		

Continued

9. Employee Retirement Plans

Defined contribution plan. Effective March 1, 2004, the Authority adopted the Hospital Authority of Washington County 403(b) Plan (Contribution Plan), a defined contribution plan. Employees must work 20 or more hours per week to be eligible to participate in the Contribution Plan. Employees must complete 1 hour of service to make elective deferrals to the Contribution Plan and must complete 3 months of service and attain the age of 18 to receive matching and non-elective contributions to the Contribution Plan. Employees are 100% vested in elective deferrals made to the Plan. For matching and non-elective contributions to the Contribution 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 Contribution 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 Contribution Plan during 2021 and 2020 were approximately $126,000 and $136,000, respectively.

The Authority makes matching contributions to the Contribution 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 2021 and 2020, the Authority made matching contributions to the Contribution Plan of approximately $25,000 and $11,000, respectively. The Authority did not make any non-elective contributions to the Contribution Plan in 2021 or 2020.

Defined benefit plan. The Authority has a single employer defined benefit pension plan, the Washington County Regional Medical Center Retirement Plan (Benefit Plan). The Benefit Plan provides retirement, disability and death benefits to plan members and beneficiaries and is administered by Principal Life Insurance Company. For more information on the Benefit Plan, contact Authority administration.

Effective March 15, 2004, the Authority elected to freeze the Benefit Plan. Benefits will not accrue for wages and services subsequent to that date. Employees were eligible to participate in the Benefit Plan, provided they had attained the age of 21, worked 1,000 hours or more a year, and completed one year of service. Benefits are determined based on service and compensation to date and are payable at age 65 in the form of a monthly annuity. A reduced benefit is payable any time after early retirement requirements are met.

Participant data. The following is a summary of Benefit Plan participants at December 31, 2020 and 2019.

	2020	2019
Active participants	43	45
Inactives with deferred benefits	56	58
Inactives receiving payment	8	8
Total participants	107	111

Continued

9. Employee Retirement Plans, Continued

Contribution requirements. All contributions are made by the Authority based on a minimum recommended contribution determined by an actuarial valuation each year. The Authority is providing for the cost of the Benefit Plan as benefits are accrued based upon actuarial determinations employing the entry age normal actuarial cost method. Contributions are intended to provide not only for benefits attributed to service-to-date, but also for those expected to be earned in the future.

	2021	2020
Actuarially determined contribution	$ 345,000	$ 324,000
Contributions made in relation to the actuarially determined contribution	146,000	165,000
Contribution deficiency	$ 199,000	$ 159,000
Covered payroll	N/A	N/A
Contributions as a percentage of payroll	N/A	N/A

The actuarial valuation of the Benefit Plan was performed as of December 31, 2020 and 2019 and the measurement date of the net pension liability is as of December 31, 2020 and 2019.

Assumptions and other inputs. The following summarizes the significant assumptions used in the valuation as of December 31, 2020 and 2019:

	2020	2019
Inflation	2.25%	2.25%
Salary increase	N/A	N/A
Expected rate of return	5.50%	5.75%
Mortality table	2020 IRS Prescribed Mortality	2019 IRS Prescribed Mortality
Discount rate	3.09%	5.75%

Continued

9. Employee Retirement Plans, Continued

Assumptions and other inputs, continued. The long-term expected rate of return on Benefit Plan investments was determined based on the Authority's expectation of best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of rates of return of each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
U.S. Equity - Large Cap	42.23%	6.20% - 7.70%
Real estate investment trusts	16.73%	5.65% - 7.30%
Core bond	37.45%	2.55% - 2.70%
Real estate	3.59%	5.00% - 5.35%

The discount rate used to measure the total pension liability was 3.09%. The projection of cash flows used to determine the discount rate assumed that contributions from the employer will be made in an amount equal to the actuarially recommended contribution based on funding the unfunded liability over a 10-year period. Based on those assumptions, the Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Benefit Plan members. Therefore, the long-term expected rate of return on Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability. The following table presents the changes in the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the years ended August 31, 2021 and 2020:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance recognized at August 31, 2019	$ 2,012,000	$ 120,000	$ 1,892,000
Changes recognized for the fiscal year:			
Service cost	27,000	-	27,000
Interest cost	108,000	-	108,000
Differences between expected and actual experience	6,000	-	6,000
Changes in assumptions	137,000	-	137,000
Contributions from the employer	-	165,000	(165,000)
Net investment income	-	10,000	(10,000)
Benefit payments	(272,000)	(272,000)	-
Administrative expense	-	(16,000)	16,000
Net changes	6,000	(113,000)	119,000

Continued

9. Employee Retirement Plans, Continued

Changes in net pension liability, continued.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance recognized at August 31, 2020	$ 2,018,000	$ 7,000	$ 2,011,000
Changes recognized for the fiscal year:			
Service cost	23,000	-	23,000
Interest cost	115,000	-	115,000
Differences between expected and actual experience	5,000	-	5,000
Changes in assumptions	255,000	-	255,000
Contributions from the employer	-	146,000	(146,000)
Net investment income	-	12,000	(12,000)
Benefit payments	(96,000)	(96,000)	-
Administrative expense	-	(31,000)	31,000
Net changes	302,000	31,000	271,000
Balance recognized at August 31, 2021	$ 2,320,000	$ 38,000	$ 2,282,000

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for fiscal years ended August 31, 2021 and 2020:

	2021		
	1% Decrease 2.09%	Current Rate 3.09%	1% Increase 4.09%
Net pension liability	$ 2,374,000	$ 2,282,000	$ 2,185,000

	2020		
	1% Decrease 4.75%	Current Rate 5.75%	1% Increase 6.75%
Net pension liability	$ 2,122,000	$ 2,011,000	$ 1,907,000

Pension expense recognized during 2021 and 2020 totaled $385,000 and $325,000, respectively.

Continued

9. Employee Retirement Plans, Continued

Changes in net pension liability, continued. The following table presents components of deferred inflows and deferred outflows of resources for the years ended August 31, 2021 and 2020:

	2021		2020	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 6,000	$ -	$ 26,000	$ -
Effects of changes in assumptions	198,000	-	140,000	-
Net differences between expected and net investment income	5,000	(14,000)	(4,000)	-
Contributions made subsequent to measurement date	65,000	-	146,000	-
Total	$ 274,000	$(14,000)	$ 308,000	$ -

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
2022	$ 139,000
2023	$ 61,000
2024	$(3,000)
2025	$(2,000)
2026	$ -
Thereafter	$ -

GASB No. 68 requires a schedule of changes in net pension liability and related ratios and a schedule of pension contributions for each of the last ten years to be presented as required supplementary information. However, certain prior years' information is not reasonably obtainable. Therefore, only information for the years available is presented.

Continued

9. Employee Retirement Plans, Continued

Investments included in fiduciary net position. The Benefit Plan's investments are valued based on the investment's net asset value (NAV) per share. Such fair value measurements are as follows at August 31, 2021 and 2020.

	Investments Measured at NAV				
	Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Unfunded Commitments
August 31, 2021					
Pooled separate accounts:					
Large Cap Equity	$ 14,000	Daily	None	None	$ -
Small-Mid Cap Equity	16,000	Daily	None	None	-
Fixed Income	6,000	Daily	None	None	-
U.S. Real Estate	2,000	Daily	None	None	-
Total investments measured at NAV	$ 38,000				$ -
August 31, 2020					
Pooled separate accounts:					
Large Cap Equity	$ 4,000	Daily	None	None	$ -
Small-Mid Cap Equity	1,000	Daily	None	None	-
U.S. Real Estate	2,000	Daily	None	None	-
Total investments measured at NAV	$ 7,000				$ -

Large Cap Equity Pooled separate accounts: This type seeks long-term growth of capital and invests primarily in companies with large market capitalizations.

Small-Mid Cap Equity Pooled separate accounts: This type seeks total return and invests primarily in equity securities of companies principally engaged in the real-estate industry.

Fixed Income Pooled separate accounts: This type seeks to provide current income. The funds included in this type invest in fixed income securities, including but not limited to debt securities, including government, corporate, asset backed and mortgage backed securities with maturities of one year or more, public and private corporate bonds, and preferred stock securities.

U.S. Real Estate Pooled separate accounts: This type invests the majority of its assets in commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value.

Continued

10. Contingencies

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

Insurance arrangements. The Authority has claims-made coverage for professional liability insurance and occurrence coverage for general liability insurance. 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 and general liability policies is $25,000 for each claim/occurrence.

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.

11. Contributions from Washington County

On December 8, 2016, the Authority entered into an Intergovernmental Agreement (IGA) with Washington County. The IGA was amended on March 8, 2016, February 1, 2019, and May 12, 2022. Under the terms of the IGA, Washington County will provide the following to the Authority over a five-year period:

- Operating funds of $8,550,000.
- Capital renovation/equipment funds of $5,715,000.

Under the original IGA, the Authority must meet certain financial performance measures each year to receive the full amount of the funds. The IGA was amended to recommend the Authority affiliate with a management company and the funds would then by distributed in accordance with an agreed upon distribution schedule.

The Authority recognizes the operating funds as revenue in the year of receipt. The Authority recognizes the capital funds as revenue as capital expenditures are made. The Authority has until February 28, 2028, to spend the capital funds. As of August 31, 2021, all operating and capital funds had been received by the Authority.

In addition, Washington County also provides quarterly funding to subsidize the ambulance operations of the Authority. The funding is recognized as revenue evenly over the three months of each quarter.

Continued

11. Contributions from Washington County, Continued

Funding from Washington County during 2021 and 2020 was as follows:

	2021	2020
Recognized as revenue:		
Operating funds	$ 1,050,000	$ 1,500,000
Capital renovation/equipment funds	1,847,000	752,000
Ambulance funds	275,000	275,000
Total revenue	$ 3,172,000	$ 2,527,000
Unearned revenue:		
Capital renovation/equipment funds	$ 703,000	$ 2,550,000
Ambulance funds	23,000	23,000
Total unearned revenue	$ 726,000	$ 2,573,000

12. Economic Dependency

The Authority has experienced recurring operating losses, has a net position deficiency (2020), has current liabilities that exceed its current assets (2020), and has negative cash flows from operations. As discussed in Note 11, the Authority has entered into an IGA with Washington County whereby Washington County will provide funding for renovations, capital equipment, and operations. Alternative sources of financing would be necessary to maintain the Authority's operations should contributions from Washington County become unavailable.

13. Management Agreement

On November 1, 2017, the Authority entered into a management agreement with ER Hospital, LLC (ERH) for the purpose of providing management and administrative services. The management agreement is to remain in effect for five years, with an automatic renewal term of five years, unless either party provides written notice within 120 days prior to the end of the five-year term. Consideration for the management services provided by ERH is $25,000 per month. Management fees incurred during 2021 and 2020 were $300,000 each year.

The management agreement with ERH also provides for certain management and operational services to be provided by ERH Shared Services, LLC (Shared Services), a wholly owned subsidiary of ERH. Employees of Shared Services provide services to multiple hospitals under the management of ERH. The cost for these services is billed monthly based on each hospital's pro rata share of the total cost incurred by Shared Services. Shared service fees incurred during 2021 and 2020 were $994,000 and $917,000, respectively.

On May 31, 2022, ERH provided notice of non-renewal of the management agreement to the Authority.

Continued

14. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allow 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's submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program. Contributions received under the program approximated $275,000 and $289,000 during fiscal years 2021 and 2020, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

15. CARES Act Funding

In 2020, the COVID-19 coronavirus spread causing economic uncertainties. The outbreak is likely to put an unprecedented strain on the U.S. healthcare system, disrupt or delay production and delivery of materials and products in the supply chain, and cause 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 and the impact on the Authority's patients, 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.

On March 27, 2020, the *Coronavirus, Aid, Relief, and Economic Security Act* was passed and on April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed (collectively, CARES Act). Certain provisions of the CARES Act provide relief funds to healthcare providers. The funding is to be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds in April 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 remain open. The Authority received approximately $429,000 and $4,423,000 in CARES Act funding during 2021 and 2020, respectively. The CARES Act funding is reported as unearned revenue until all eligibility requirements are met.

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 payments could . be recouped based on changes in reporting requirements or audit results.

16. Medicare Accelerated and Advance Payments

The CARES Act expanded the Medicare Accelerated and Advance Payment (MAAP) program to increase cash flow to healthcare providers impacted by the COVID-19 pandemic. In April 2020, the Authority received approximately $1,005,000 in MAAP payments. The MAAP payments must be repaid and recoupment begins one year after the date of receipt. Medicare will recoup 25% of Medicare payments owed to the Authority for eleven months. Medicare will then recoup 50% of Medicare payments owed to the Authority for the succeeding six months. Any outstanding balance must then be repaid. Medicare recouped approximately $280,000 in MAAP payments during 2021.

17. Subsequent Event

In May 2022, the Authority was awarded a $1,000,000 Community Facility Grant from the United States Department of Agriculture.

REQUIRED SUPPLEMENTARY INFORMATION

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
August 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	$ 23,000	$ 27,000	$ 28,000	$ 25,000	$ 27,000	$ 25,000	$ 40,000	$ 53,000
Interest cost	115,000	108,000	111,000	116,000	116,000	128,000	130,000	145,000
Differences between expected and actual experiences	5,000	6,000	58,000	5,000	33,000	49,000	24,000	5,000
Changes in assumptions	255,000	137,000	89,000	162,000	69,000	(57,000)	(97,000)	5,000
Benefit payments	(96,000)	(272,000)	(298,000)	(77,000)	(286,000)	(395,000)	(333,000)	(455,000)
Net change in total pension liability	302,000	6,000	(12,000)	231,000	(41,000)	(250,000)	(236,000)	(247,000)
Total pension liability (beginning)	2,018,000	2,012,000	2,024,000	1,793,000	1,834,000	2,084,000	2,320,000	2,567,000
Total pension liability (ending)	2,320,000	2,018,000	2,012,000	2,024,000	1,793,000	1,834,000	2,084,000	2,320,000
Plan fiduciary net position:								
Contributions - employer	146,000	165,000	264,000	261,000	-	155,000	5,000	350,000
Net investment income	12,000	10,000	(2,000)	19,000	12,000	14,000	90,000	111,000
Benefit payments	(96,000)	(272,000)	(298,000)	(77,000)	(286,000)	(395,000)	(333,000)	(455,000)
Administrative expense	(31,000)	(16,000)	(35,000)	(39,000)	(32,000)	(33,000)	(29,000)	(30,000)
Net changes in plan fiduciary net position	31,000	(113,000)	(71,000)	164,000	(306,000)	(259,000)	(267,000)	(24,000)
Plan fiduciary net position (beginning)	7,000	120,000	191,000	27,000	333,000	592,000	859,000	883,000
Plan fiduciary net position (ending)	38,000	7,000	120,000	191,000	27,000	333,000	592,000	859,000
Net pension liability (ending)	$ 2,282,000	$ 2,011,000	$ 1,892,000	$ 1,833,000	$ 1,766,000	$ 1,501,000	$ 1,492,000	$ 1,461,000
Net position as a percentage of pension liability	1.62%	0.38%	5.97%	9.42%	1.51%	18.13%	28.41%	37.01%

Continued

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS, Continued
August 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Changes in assumptions. In 2021 and 2020, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of using the most recent IRS Prescribed Mortality table available at the measurement date each year.

Information to present a 10-year history is not reasonably obtainable.

See independent auditor's report.

HOSPITAL AUTHORITY OF WASHINGTON COUNTY

SCHEDULE OF PENSION CONTRIBUTIONS
August 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 345,000	$ 325,000	$ 292,000	$ 264,000	$ 273,000	$ 246,000	$ 237,000	$ 261,000
Contributions made in relation to the actuarially determined contribution	146,000	165,000	264,000	261,000	-	155,000	5,000	350,000
Contribution deficiency (excess)	$ 199,000	$ 159,000	$ 28,000	$ 3,000	$ 273,000	$ 91,000	$ 232,000	$(89,000)
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Asset valuation method: Market value method
- Salary increases: N/A - plan is frozen
- Investment rate of return: 5.50% per year, compounded annually
- Retirement age: Active and inactive participants are assumed to retire at the age of 65 based on the results of recent experience, analysis and anticipated future experience.
- In 2021, mortality rates were based on the 2020 IRS Prescribed Mortality - Optional combined Table for Small Plans, male and female. In 2020, mortality rates were based on the 2019 IRS Prescribed Mortality - Optional combined Table for Small Plans, male and female.

Information to present a 10-year history is not reasonably obtainable.

See independent auditor's report.