CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

FINANCIAL STATEMENTS

for the years ended December 31, 2021 and 2020

Draffin Tucker

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Draffin Tucker

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Candler County Hospital Authority
Metter, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Candler County Hospital Authority (Authority), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Candler County Hospital Authority as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Continued

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 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 that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

DRAFFIN + TUCKER, LLP

Albany, Georgia
July 19, 2022

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	$ 4,123,664	$ 2,421,397
Restricted cash	1,380,705	2,787,529
Patient accounts receivable, net of contractual allowances and estimated uncollectibles of approximately $14,049,000 in 2021 and $10,052,000 in 2020	3,311,685	2,219,237
Supplies	384,667	351,436
Estimated third-party payor settlements	-	307,082
Other current assets	1,379,052	953,964
Total current assets	10,579,773	9,040,645
Noncurrent cash:		
Externally restricted for debt service	94,488	82,296
Capital assets:		
Nondepreciable capital assets	357,585	1,600,264
Depreciable capital assets, net of accumulated depreciation	5,713,597	3,999,588
Total capital assets, net of accumulated depreciation	6,071,182	5,599,852
Total assets	$ 16,745,443	$ 14,722,793

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

BALANCE SHEETS, Continued
December 31, 2021 and 2020

	2021	2020
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	$ 1,083,918	$ 995,571
Accounts payable	1,607,656	2,383,036
Accrued expenses	853,466	698,201
Estimated third-party payor settlements	1,149,000	-
Current portion of Medicare advance payments	1,221,509	754,092
Unearned revenue	1,380,705	2,787,529
Total current liabilities	7,296,254	7,618,429
Long-term portion of Medicare advance payments	-	1,174,230
Long-term debt, net of current maturities	4,430,438	5,407,845
Total liabilities	11,726,692	14,200,504
Net position:		
Net investment in capital assets	2,978,761	2,186,875
Restricted:		
Expendable for debt service	94,488	82,296
Unrestricted	1,945,502	(1,746,882)
Total net position	5,018,751	522,289
Total liabilities and net position	$ 16,745,443	$ 14,722,793

See accompanying notes to financial statements.

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the years ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately $6,822,000 in 2021 and $5,849,000 in 2020)	$ 22,850,537	$ 17,737,765
Other revenue	918,864	1,265,059
Total operating revenues	23,769,401	19,002,824
Operating expenses:		
Salaries and wages	9,305,758	8,163,533
Employee health and welfare	1,820,457	1,466,007
Purchased services	3,864,599	3,285,996
Medical supplies and drugs	3,190,622	2,360,771
Professional fees	2,976,779	2,540,852
Repairs and maintenance	497,265	381,112
Utilities and communications	343,039	310,376
Insurance	151,569	134,577
Other	1,054,870	750,283
Depreciation and amortization	1,127,483	577,856
Total operating expenses	24,332,441	19,971,363
Operating loss	(563,040)	(968,539)
Nonoperating revenues (expenses):		
Interest income	7,047	12,985
Interest expense	(243,752)	(189,495)
Gain on disposal of capital assets	36,536	75,400
Noncapital contributions	1,779,036	1,207,438
Gain on settlements	319,942	99,491
Grant stimulus funding	2,887,529	1,148,221
Forgiveness of PPP loan	-	1,471,800
Total nonoperating revenues	4,786,338	3,825,840
Excess revenues	4,223,298	2,857,301
Capital contributions	273,164	277,945
Increase in net position	4,496,462	3,135,246
Net position, beginning of year	522,289	(2,612,957)
Net position, end of year	$ 5,018,751	$ 522,289

See accompanying notes to financial statements.

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 23,764,182	$ 17,435,746
Receipts from Medicare advance payments	-	1,928,322
Repayment of Medicare advance payments	(706,813)	-
Payments to suppliers and contractors	(12,497,682)	(11,760,366)
Payments to employees	(10,970,950)	(9,544,327)
Net cash used by operating activities	(411,263)	(1,940,625)
Cash flows from noncapital financing activities:		
Noncapital contributions	1,107,156	786,523
Grant stimulus funding	1,480,705	3,935,750
Proceeds from long-term debt	-	1,471,800
Net cash provided by noncapital financing activities	2,587,861	6,194,073
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(646,131)	(398,954)
Interest paid on long-term debt	(191,339)	(110,783)
Purchase of capital assets	(1,273,240)	(911,095)
Proceeds from disposal at capital assets	36,536	75,400
Capital contributions	198,164	277,945
Net cash used by capital and related financing activities	(1,876,010)	(1,067,487)
Cash flows from investing activities:		
Interest income	7,047	12,985
Net increase in cash	307,635	3,198,946
Cash, beginning of year	5,291,222	2,092,276
Cash, end of year	$ 5,598,857	$ 5,291,222

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31, 2021 and 2020

	2021	2020
Reconciliation of cash to the balance sheet:		
Cash in current assets	$ 4,123,664	$ 2,421,397
Restricted cash in current assets	1,380,705	2,787,529
Restricted cash in noncurrent assets	94,488	82,296
Total cash	$ 5,598,857	$ 5,291,222
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$(563,040)	$(968,539)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	1,127,483	577,856
Provision for bad debts	6,821,554	5,848,877
Changes in:		
Patient accounts receivable	(7,914,002)	(6,144,655)
Supplies	(33,231)	(165,563)
Estimated third-party payor settlements	1,456,082	(1,271,300)
Other current assets	(299,123)	(304,703)
Accounts payable	(455,438)	(1,526,133)
Accrued expenses	155,265	85,213
Medicare advance payments	(706,813)	1,928,322
Net cash used by operating activities	$(411,263)	$(1,940,625)

Supplemental disclosures of cash flow information:

- The Authority entered into capital lease obligations of approximately $326,000 and $2,269,000 for new equipment in 2021 and 2020, respectively.
- The Authority financed equipment purchases with a vendor in the amount of approximately $-0- and $215,000 in 2021 and 2020, respectively.
- Principal and interest payments on long-term debt, paid by the County on behalf of the Authority, were approximately $621,000 and $421,000 in 2021 and 2020, respectively.

See accompanying notes to financial statements.

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

Reporting Entity

The Candler County Hospital Authority (Authority) is a public corporation that operates Candler County Hospital, an acute care hospital. The Authority was created on November 11, 1958 by the Board of Commissioners of Roads and Revenues of Candler County, Georgia to operate, control, and manage all matters concerning the county's health care functions. The Board of Commissioners of Candler County, Georgia nominate the Board of Directors of the Authority and the County has guaranteed some debt of the Authority. For these reasons, the Authority is considered to be a component unit of Candler County, Georgia.

Use of Estimates

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

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful life is assigned using the AHA Useful Lives Guidelines listed below. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Land improvements	8 to 20 Years
Buildings and improvements	10 to 40 Years
Equipment	3 to 20 Years

Continued

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

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statement of revenues, expenses and changes in net position for the years ended December 31, 2021 and 2020.

Costs of Borrowing

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

Financing Cost

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 15 for additional information.

Grants and Contributions

From time to time, the Authority receives grants as well as contributions from individuals, private organizations and Candler County. 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.

Restricted Resources

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

Continued

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

Net Position

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

Compensated Absences

The Authority's employees earn Paid Time Off (PTO) at varying rates depending on years of service. The amount of PTO an employee can accumulate is limited. Employees who voluntarily terminate their job after one year of service may request payment of their unused PTO balance if termination is in accordance with the PTO policy. Employees may also convert PTO to cash under certain conditions. Accrued PTO is reported as accrued expenses on the balance sheet.

Allowance for Doubtful Accounts

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

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.

Continued

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

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; 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. The Authority is partially self-insured for medical malpractice claims and judgments, as discussed in Note 11.

Income Taxes

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

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 arrangements 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.

Supplies

Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Accounting Pronouncement Not Yet Adopted

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

Continued

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 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

  Effective October 1, 2004, the Authority was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through December 31, 2016, with the exception of the December 31, 2015 cost report.

- Medicaid

  Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2019.

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

  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 amount of ICTF payments recognized in net patient service revenue was approximately $973,000 and $548,000 for the years ended December 31, 2021 and 2020, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $34,000 and $-0- for the years ended December 31, 2021 and 2020, respectively.

- Other Arrangements

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

Revenue from the Medicare and Medicaid programs accounted for approximately 50% and 18%, respectively of the Authority's net patient service revenue for the year ended 2021 and 61% and 17%, respectively, of the Authority's net patient service revenue for the year ended 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2021 and 2020 net patient service revenue increased approximately $30,000 and $77,000, respectively, due to prior-year retroactive adjustments in excess of amounts previously estimated.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. While no such regulatory inquiries have been made to date, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Continued

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2021 and 2020 were approximately $65,941,000 and $53,300,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $622,000 and $856,000 in 2021 and 2020, respectively. The cost of charity and indigent care services provided during 2021 and 2020 was approximately $170,000 and $241,000, respectively, computed by applying a total cost factor to the charges foregone.

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

	2021	2020
Gross patient charges	$ 88,791,243	$ 71,037,745
Uncompensated services:		
Charity and indigent care	622,258	856,406
Medicare	30,717,228	25,856,500
Medicaid	8,062,999	6,556,377
Other allowances	19,716,667	14,181,820
Bad debts	6,821,554	5,848,877
Total uncompensated care	65,940,706	53,299,980
Net patient service revenue	$ 22,850,537	$ 17,737,765

4. Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority.

As of December 31, 2021 and 2020, the Authority's deposits were entirely insured, collateralized with securities held by a trustee in the Authority's name, or held by financial institutions that participate in the Georgia Secure Deposit Program (SDP). The SDP is a multibank contingent liability pledging pool to protect public deposits. The program is administered by Georgia Banker's Association Services, Inc. Under the program, a combination of the liquidation of pledged collateral and a guarantee from all the other banks participating in the contingent liability pool will cover any loss exceeding FDIC insurance limits.

Continued

4. Deposits, Continued

The carrying amount of cash included in the Authority's balance sheet is as follows:

	2021	2020
Cash	$ 5,598,857	$ 5,291,222

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at December 31, 2021 and 2020 consisted of these amounts:

	2021	2020
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 10,811,210	$ 7,208,225
Receivable from Medicare	5,064,688	3,987,146
Receivable from Medicaid	1,484,572	1,076,064
Total patient accounts receivable	17,360,470	12,271,435
Less allowance for uncollectible amounts and contractual adjustments	14,048,785	10,052,198
Patient accounts receivable, net	$ 3,311,685	$ 2,219,237
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 853,466	$ 698,201
Payable to suppliers	1,607,656	2,383,036
Total accounts payable and accrued expenses	$ 2,461,122	$ 3,081,237

Continued

6. Capital Assets

Capital asset changes for the years ended December 31, 2021 and 2020 are as follows:

	2020	Additions	Retirements	Transfers	2021
Land	$ 168,940	$ -	$ -	$ -	$ 168,940
Construction-in-progress	1,431,324	561,002	-	(1,803,681)	188,645
Total capital assets not being depreciated	1,600,264	561,002	-	(1,803,681)	357,585
Land improvements	148,884	-	-	-	148,884
Buildings and improvements	7,568,870	-	-	480,952	8,049,822
Equipment	11,995,757	1,037,811	-	1,322,729	14,356,297
Total capital assets being depreciated	19,713,511	1,037,811	-	1,803,681	22,555,003
Less accumulated depreciation and and amortization for:					
Land improvements	148,884	-	-	-	148,884
Buildings and improvements	5,811,946	269,268	-	-	6,081,214
Equipment	9,753,093	858,215	-	-	10,611,308
Total accumulated depreciation and amortization	15,713,923	1,127,483	-	-	16,841,406
Capital assets being depreciated, net	3,999,588	(89,672)	-	1,803,681	5,713,597
Total capital assets, net	$ 5,599,852	$ 471,330	$ -	$ -	$ 6,071,182

Continued

6. Capital Assets, Continued

	2019	Additions	Retirements	Transfers	2020
Land	$ 168,940	$ -	$ -	$ -	$ 168,940
Construction-in-progress	434,265	1,543,154	-	(546,095)	1,431,324
Total capital assets not being depreciated	603,205	1,543,154	-	(546,095)	1,600,264
Land improvements	148,884	-	-	-	148,884
Buildings and improvements	6,985,111	511,438	-	72,321	7,568,870
Equipment	10,181,374	1,340,609	-	473,774	11,995,757
Total capital assets being depreciated	17,315,369	1,852,047	-	546,095	19,713,511
Less accumulated depreciation and and amortization for:					
Land improvements	148,884	-	-	-	148,884
Buildings and improvements	5,612,345	199,601	-	-	5,811,946
Equipment	9,374,838	378,255	-	-	9,753,093
Total accumulated depreciation and amortization	15,136,067	577,856	-	-	15,713,923
Capital assets being depreciated, net	2,179,302	1,274,191	-	546,095	3,999,588
Total capital assets, net	$ 2,782,507	$ 2,817,345	$ -	$ -	$ 5,599,852

Amortization for equipment under capital lease obligations for the years ended December 31, 2021 and 2020 amounted to approximately $462,000 and $111,000, respectively. Accumulated amortization for equipment under capital lease obligations was approximately $525,000 and $365,000 with original cost of approximately $2,697,000 and $2,919,000 at December 31, 2021 and 2020, respectively.

Continued

7. Long-Term Debt

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

	2020	Additions	Reductions	Forgiveness	2021	Amounts Due Within One Year
Direct borrowings and direct placements:						
Taxable note: Series 2014	$ 1,665,688	$ -	$ 568,502	$ -	$ 1,097,186	$ 385,425
Notes payable	2,414,345	-	262,421	-	2,151,924	283,518
Capital leases	2,323,383	317,232	375,369	-	2,265,246	414,975
Total long-term debt	$ 6,403,416	$ 317,232	$ 1,206,292	$ -	$ 5,514,356	$ 1,083,918

	2019	Additions	Reductions	Forgiveness	2020	Amounts Due Within One Year
Direct borrowings and direct placements:						
Taxable note: Series 2014	$ 2,007,891	$ -	$ 342,203	$ -	$ 1,665,688	$ 363,793
Notes payable	2,439,463	1,686,841	240,159	(1,471,800)	2,414,345	262,421
Capital leases	213,113	2,269,065	158,795	-	2,323,383	369,357
Total long-term debt	$ 4,660,467	$ 3,955,906	$ 741,157	$(1,471,800)	$ 6,403,416	$ 995,571

The terms and due dates of the Authority's long-term debt, including capital lease obligations, at December 31, 2021 and 2020, follows:

- Taxable Note, Series 2014 with Queensborough National Bank dated December 17, 2014. Payable in 120 monthly payments of approximately $35,000 including interest at the fixed rate of 4.15% through January 2017. Beginning with the February 2017 payment, interest will be accrued at the *Wall Street Journal* prime rate, plus 0.50%, adjusted daily. Secured by property of the Authority, due January 2025.

- Promissory note payable to the United States Department of Agriculture (USDA) dated March 17, 2014 with an outstanding balance of $244,318. Payable in 120 monthly payments of approximately $10,000 including interest at the fixed rate of 3.50%, secured by a pledge of various medical equipment, due April 2024.

Continued

7. Long-Term Debt, Continued

- Note payable to Candler County, Georgia with an outstanding balance of $1,324,751, incurring interest at the imputed rate of 4.00%, unsecured.

- Equipment finance agreement with a vendor with an outstanding balance of $582,855. Payable in 60 monthly installments of approximately $19,000 including interest at the imputed rate of 10.79%, secured by the financed equipment, due January 2025.

- In April 2020, the Authority received loan proceeds in the amount of $1,471,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. The Authority believed its use of the proceeds was consistent with the PPP and applied for and received forgiveness of the loan from the SBA in November 2020. PPP loans greater than $2 million are subject to review by the Small Business Administration. The Authority recognized the forgiveness of the loan in 2020 in nonoperating revenues on the statements of revenues, expenses, and changes in net position.

- Capital lease obligations, at varying rates of imputed interest from 3.50% to 5.99%, collateralized by leased equipment with an unamortized cost of approximately $2,172,000 and $2,554,000 at December 31, 2021 and 2020, respectively.

To further secure the Series 2014 Taxable Note, the Authority and Candler County (County) entered into a contract in which the Authority agreed to make the Hospital facilities and services available to the residents of Candler County. The County agreed to levy an ad valorem tax on all taxable property within the County as may be necessary in each year to fulfill the County's obligation under the contract.

Effective January 1, 2017, Candler County began subsidizing the Series 2014 Taxable Note. Initially, the County made the debt payments through the implementation of a $90 per parcel fee. Effective January 1, 2018, the County implemented a 1 mil tax levy to subsidize the debt payments. Also, in 2018, certain special purpose local option sales tax (SPLOST) funds were designated to help make the debt payments. Payments made by the County on behalf of the Authority in 2021 and 2020 were approximately $621,000 and $421,000, respectively.

All outstanding long-term debt from direct borrowings and direct placements contain provisions of default that, if experienced by the Authority, would change the timing of repayment of outstanding amounts to become immediately due.

Continued

7. Long-Term Debt, Continued

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

	Long-Term Debt		Capital Lease Obligations	
Year Ending December 31	Principal	Interest	Principal	Interest
2022	$ 668,943	$ 106,450	$ 414,975	$ 89,755
2023	2,023,539	67,084	451,166	70,658
2024	538,206	22,073	452,632	50,809
2025	18,422	166	384,783	31,672
2026	-	-	301,764	17,601
2027	-	-	259,926	4,959
Total	$ 3,249,110	$ 195,773	$ 2,265,246	$ 265,454

8. Contingencies

Operating Leases

The Authority leases various equipment under operating leases expiring within one year. Total rental expense in 2021 and 2020 for all operating leases was $182,670 and $181,295, respectively.

Compliance Plan

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

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

Continued

8. Contingencies, Continued

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. See malpractice insurance disclosures in Note 11.

9. Fair Values of Financial Instruments

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

- *Cash, accounts payable, accrued expenses, estimated third-party payor settlements, unearned revenue, and Medicare advance payments:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Long-term debt:* The fair value of the Authority's long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of variable rate obligations approximates fair value.

The carrying amounts and estimated fair values of the Authority's long-term debt at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 3,249,110	$ 3,272,695	$ 4,080,033	$ 4,149,252

10. Retirement Plan

The Candler County Hospital 403(b) Plan (403(b) Plan) is a defined contribution plan established and administered by the Authority to provide benefits at retirement to substantially all eligible employees. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors.

Employees may make voluntary contributions to the 403(b) Plan. Matching contributions have been suspended by the Authority and the total expense for the 403(b) Plan incurred by the Authority was $-0- in 2021 and 2020. The Authority had no liability outstanding related to the 403(b) Plan at December 31, 2021 and 2020. Employees are immediately 100% vested in all funds under the 403(b) Plan.

Continued

10. Retirement Plan, Continued

The Authority has also established and administers the Candler County 457 Top Hat Plan (457 Plan). The 457 Plan is offered to limited employees of the Authority. The Authority makes no matching contributions to the 457 Plan and had no liability outstanding related to the 457 Plan at December 31, 2021 and 2020. Employees are immediately 100% vested in all funds under the 457 Plan.

11. Malpractice Insurance

The Authority is covered by a per-occurrence general and claims-made professional liability insurance policy with a specified deductible of $25,000 per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2021 and 2020 are $1 million per occurrence and $3 million in aggregate, with excess liability coverage of $2 million per occurrence and in aggregate.

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

12. Concentrations of Credit Risk

The Authority grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2021 and 2020 was as follows:

	2021	2020
Medicare	29%	32%
Medicaid	9%	9%
Third-party payors	22%	24%
Patients	40%	35%
Total	100%	100%

13. Employee Health Insurance

The Authority purchases employee health insurance through a third-party vendor. Total expense related to employee health insurance was approximately $1,033,000 and $764,000 for 2021 and 2020, respectively. These amounts are included in the statement of revenues, expenses and changes in net position as employee health and welfare.

Continued

14. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2024. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2020 and 2021. Contributions received under the program approximated $1,022,000 during fiscal year 2021 and $782,000 during fiscal year 2020. The Authority will have to be approved by the State to participate in the program in each subsequent year. These funds are reflected in noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

15. Coronavirus (COVID-19)

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

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses and lost revenue attributable to COVID-19, if applicable. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position. The Authority received approximately $1,481,000 and $3,936,000 in grant stimulus funding in fiscal years 2021 and 2020, respectively, of which, the Authority recognized approximately $2,888,000 and $1,148,000 in nonoperating revenues in 2021 and 2020, respectively.

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.

Continued

15. Coronavirus (COVID-19), Continued

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program (MAPP) by allowing qualifying providers to receive an advanced Medicare payment. The advance payment is a loan that will have to be repaid. Repayment begins one year after the date the MAPP funds were issued, at which time, Medicare payments owed to the Authority will be recouped at varying rates ranging from 25% to 50% for 17 months. After 29 months, the remaining balance of the MAPP funds, if any, will become due in full. Providers will have 30 days to pay the remaining balance and if payment is not received, interest will accrue on the outstanding balance at a rate of 4%. In April 2020, the Authority received approximately $1,928,000 in MAPP funds. During 2021, the Authority repaid approximately $707,000 to Medicare.

The Authority has received the following program funding:

- $30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed $30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received approximately $209,000 in funding from this distribution.

- $20 Billion General Distribution (2nd round) - On April 24, 2020, HHS distributed $20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submissions. The Authority received approximately $167,000 in funding from this distribution.

- $10 Billion Rural Distribution - On May 6, 2020, HHS distributed $10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Authority received approximately $3,395,000 in funding from this distribution.

- $225 Million for COVID-19 Testing - On May 20,2020, HHS distributed $225 million to over 4,500 rural health clinics (RHCs) based on a fixed payment of $49,461 per RHC. The Authority received approximately $49,000 in funding from this distribution.

- $4.9 Million Small Rural Hospital Improvement Program (SHIP) Grant - On April 22, 2020, HHS appropriated approximately $4.9 million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to 58 rural hospitals in Georgia for the purpose of preventing, preparing for, and responding to COVID-19. The Authority received approximately $84,000 in funding from this grant.

- $17 Billion General Distribution (4th Round) - On December 16, 2021, HHS began distributing $17 billion to providers based on changes in revenues and expenses as well as the amount and type of services provided to Medicare, Medicaid, and/or Children's Health Insurance Program patients. The Authority received approximately $118,000 in funding from this distribution.

Continued

15. Coronavirus (COVID-19), Continued

On March 11, 2021, the *American Rescue Plan Act* was passed. This Act provides additional financial assistance for state and local governments, education, housing, food assistance, and additional grant programs. The Authority received the following program funding related to this Act:

- $425 Million Rural Health Clinic Distribution - On June 10, 2021, HHS distributed $425 million to over 4,200 RHCs for COVID-19 testing and mitigation based on a fixed payment of $100,000 per RHC. The Authority received approximately $100,000 in funding from this distribution.

- $7.5 Billion Rural Payment - On November 23, 2021, HHS began distributing $7.5 billion to nearly 44,000 rural providers that served Medicaid, Children's Health Insurance Program (CHIP), and Medicare beneficiaries from January 1, 2019 through September 30, 2020. The Authority received approximately $1,004,000 from this distribution.

- The Authority also received various other grants in response to COVID-19 that totaled approximately $291,000.

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces the payments to providers by 2%, for the period of May 1, 2020 through December 31, 2020. Subsequently, with the passing of the *Consolidated Appropriations Act, An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes,* and *Protecting Medicare and American Farmers from Sequester Cuts Act*, the sequestration suspension was extended to March 31, 2022. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.

- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.

16. Gain on Settlements

During 2021 and 2020, the Authority settled outstanding balances owed to various vendors at amounts less than recorded in accounts payable. The difference in the amount recorded in accounts payable and the agreed upon settlement payment is recorded in the statement of revenues, expenses and changes in net position as gain on settlements.

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

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

Board of Directors
Candler County Hospital Authority
Metter, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Candler County Hospital Authority (Authority), which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2022.

Report on Internal Control Over Financial Reporting

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

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

Continued

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DRAFFIN + TUCKER, LLP

Albany, Georgia
July 19, 2022