

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)



FINANCIAL STATEMENTS

for the year ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tift County Hospital Authority
Tifton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Tift County Hospital Authority (Authority), which comprise the balance sheet as of September 30, 2019, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Continued

Let's Think Together.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tift County Hospital Authority as of September 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, effective March 1, 2019, Tift County Hospital Authority undertook a corporate restructuring and executed a Lease and Transfer Agreement with Tift Regional Health System, Inc. (System), a Georgia not-for-profit corporation and a wholly owned subsidiary of Southwell, Inc., whereby the System agreed to lease substantially all of the assets, liabilities, and operations of the Authority for an initial period of forty years. Our opinion is not modified with respect to this matter.

Other Matter

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 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 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 February 27, 2020, 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

Atlanta, Georgia
February 27, 2020

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Balance Sheet
September 30, 2019

	<u>2019</u>
Assets	\$ <u>-</u>
Liabilities	<u>-</u>
Net position (unrestricted)	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2019

	<u>2019</u>
Operating revenues:	
Net patient service revenue (net of provision for bad debts of \$35,736,000)	\$ 160,172,000
Other revenue	<u>2,573,000</u>
Total operating revenues	<u>162,745,000</u>
Operating expenses:	
Salaries and wages	69,503,000
Employee benefits	16,675,000
Contract and purchased services	8,754,000
Physician services	5,059,000
Supplies and drugs	29,541,000
Depreciation and amortization	15,077,000
Other expense	<u>14,900,000</u>
Total operating expenses	<u>159,509,000</u>
Operating income	<u>3,236,000</u>
Nonoperating revenues (expenses):	
Investment loss	(2,686,000)
Interest expense	(1,703,000)
Rural hospital tax credit contributions	<u>228,000</u>
Total nonoperating revenues	<u>(4,161,000)</u>
Excess of revenues over expenses	(925,000)
Transfers from affiliated entities, net	429,000
Transfer of net position to Tift Regional Health System, Inc.	(541,866,000)
Elimination of net position not transferred due to differences in accounting guidance for governmental and not-for-profit reporting entities	<u>111,000</u>
Change in net position	(542,251,000)
Net position, beginning of year	<u>542,251,000</u>
Net position, end of year	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Statement of Cash Flows
Year Ended September 30, 2019

	<u>2019</u>
Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 163,045,000
Payments to suppliers and contractors	(56,382,000)
Payments to employees	(92,971,000)
Other receipts	2,573,000
Transfers from affiliated entities	429,000
Transfer to Tift Regional Health System, Inc.	<u>(75,023,000)</u>
Net cash used by operating activities	<u>(58,329,000)</u>
Cash flows from noncapital financing activities:	
Rural hospital tax credit contributions	<u>228,000</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of long-term debt	55,837,000
Principal paid on long-term debt	(45,543,000)
Interest paid on long-term debt	(1,800,000)
Purchase of capital assets, net of retirements	<u>(28,738,000)</u>
Net cash used by financing activities	<u>(20,244,000)</u>
Cash flows from investing activities:	
Sale of debt and equity securities	80,032,000
Purchase of debt and equity securities	(76,609,000)
Sale of short-term investments	1,050,000
Purchase of short-term investments	(1,150,000)
Investment income	<u>5,166,000</u>
Net cash provided by investing activities	<u>8,489,000</u>
Net decrease in cash and cash equivalents	(69,856,000)
Cash and cash equivalents, beginning of year	<u>69,856,000</u>
Cash and cash equivalents, end of year	\$ <u><u>-</u></u>

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Statement of Cash Flows, Continued
Year Ended September 30, 2019

	<u>2019</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 3,236,000
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation and amortization	15,077,000
Provision for bad debts	35,736,000
Transfers from affiliated entities	429,000
Transfer to Tift Regional Health System, Inc.	(75,023,000)
Changes in:	
Patient accounts receivable	(32,863,000)
Supplies	170,000
Other current assets	193,000
Notes receivable	(173,000)
Accounts payable	1,436,000
Accrued expenses	(6,793,000)
Estimated third-party payor settlements	<u>246,000</u>
Net cash used by operating activities	<u><u>\$(58,329,000)</u></u>

Supplemental disclosure of cash flow information:

- See Note 1 for additional information related to the Lease and Transfer Agreement with Tift Regional Health System, Inc.

See accompanying notes to financial statements.

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements
September 30, 2019

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

Reporting entity. The Tift County Hospital Authority (Authority) is a public body corporate and politic organized under the Hospital Authorities Law of the State of Georgia. The Authority was established by the Board of County Commissioners of Tift County, Georgia (County) to operate, control, and manage all matters concerning the County's health care functions. The Authority is governed by a nine-member board of trustees (six-member board after the restructuring discussed below) appointed by the County and the County has guaranteed debt of the Authority. For these reasons, the Authority is considered to be a component unit of the County.

The Authority owns and operates Tift Regional Medical Center (an acute care hospital), Cook Medical Center (an acute care hospital), Cook Senior Living Center (a nursing home), and several physician office practices. The Authority provides short-term medical, surgical, obstetrical, pediatric, geriatric psychiatry, emergency, and physician care and long-term nursing care.

On June 24, 2015, the Authority formed a limited liability company, CareAlliance: An Accountable Care Organization, LLC (ACO), as the sole member. The ACO is a blended component unit of the Authority.

Effective March 1, 2019, the Authority undertook a corporate restructuring and executed a Lease and Transfer Agreement (Agreement) with Tift Regional Health System, Inc. (System), a Georgia not-for-profit corporation and a wholly owned subsidiary of Southwell, Inc., which assumed substantially all of the operations, assets, and liabilities of the Authority and agreed to operate the facilities for an initial period of forty years. Under the Agreement, the System makes nominal lease payments to the Authority plus amounts sufficient to make debt service payments on Authority conduit debt obligations as they come due, and assumes all operational, financial, indigent care, and community responsibilities. The governing board of the System is comprised of five former members of the Authority plus three additional members and is self-perpetuating. The governing board of Southwell is comprised of three current members of the Authority, four former members of the Authority, plus one additional member, and is self-perpetuating. In connection with the corporate restructuring, the Authority's membership in the ACO was transferred to the System. The System and the ACO are consolidated into the Southwell reporting entity. Because Southwell's and the System's Board of Directors are self-perpetuating and the Authority does not have financial accountability for Southwell or the System, Southwell, the System, and the ACO are excluded from the Authority's reporting entity subsequent to the restructuring.

In connection with the restructuring, the Authority and the System entered into a Workforce Transfer Agreement and a Workforce Services Agreement. Under the Workforce Transfer Agreement, the Authority transferred all of its workforce (employees and independent contractors) to the System on January 1, 2019. Under the Workforce Services Agreement, the System provided the services of the workforce to the Authority from January 1, 2019 through February 28, 2019 at cost.

Use of estimates. The preparation of financial statements in conformity with U.S. 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.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
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Notes To Financial Statements, Continued
September 30, 2019

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

Use of estimates, continued. 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 insurance reserves. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

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

Risk Management. The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Authority is self-insured for employee health insurance and for the deductible portion of its general and professional insurance policy as discussed in Note 9.

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

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

Short-term investments. Short-term investments consist of certificates of deposit with maturities ranging from 6 months to 12 months.

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

Noncurrent cash and investments. Noncurrent cash and investments include assets held by trustees for capital acquisitions and assets internally designated for capital improvements and malpractice self-insurance, over which the Board retains control and may at its discretion subsequently use for other purposes.

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.

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

Continued

TIFT COUNTY HOSPITAL AUTHORITY
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Notes To Financial Statements, Continued
September 30, 2019

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

Fair value measurements, continued. 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.

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

Capital assets also include certain intangible assets. Intangible assets of the Authority that are reported in capital assets include restrictive non-compete covenants that were acquired in the purchases of Affinity Health Group, LLC, Tiftarea Surgical Partners, LLC, Georgia Sports Medicine & Orthopedic Clinic, P.C., Tiftarea Urology, P.C., and Urosurg, LLC. The intangible assets are amortized over the term of the covenants.

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.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

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

Deferred inflows of resources. Deferred inflows of resources consist of the unamortized portion of the deferred amount on refunding for the 2002 Certificates. See Note 5 for additional information.

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. Interest capitalized was approximately \$715,000.

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

Compensated absences. The Authority's employees earn personal days off (PDO's) at varying rates depending on years of service. All employees that accrue PDO's are required to use at least a minimum number of PDO's each year as pay for time not worked. Up to sixty (60) PDO's may be banked. PDO's in excess of sixty (60) days are automatically bought back by the Authority. Employees may elect to receive a cash pay-out for accrued PDO's provided that such pay-out will leave a balance equal to or greater than ten (10) days. PDO's are cashed out at \$0.85 on each dollar. Upon termination of employment, eligible PDO's will be paid to the employee.

Net position. Net position is classified into components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. The *restricted* component of net position consists of restricted assets reduced by liabilities related to those assets. The *unrestricted* component of net position is the amount of assets, 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.

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TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

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

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

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

Recently adopted accounting pronouncements. In 2019, the Authority adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 clarifies which liabilities should be included when disclosing information related to debt, requires additional essential information related to debt be disclosed, and requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of GASB 88 had no material impact on the financial statements of the Authority.

In 2019, the Authority early adopted GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies that conduit debt is not a liability of the issuer. Accordingly, debt obligations that were transferred to the System are not reported in the Authority's balance sheet.

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 and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain other 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 September 30, 2014. Revenue from the Medicare program accounted for approximately 39% of the Authority's net patient service revenue.
- *Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Outpatient services rendered to Medicaid program beneficiaries are generally reimbursed 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

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TIFT COUNTY HOSPITAL AUTHORITY
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Notes To Financial Statements, Continued
September 30, 2019

2. Net Patient Service Revenue, Continued

- *Medicaid, continued.* by the Medicaid fiscal intermediary through September 30, 2015. Revenue from the Medicaid program accounted for approximately 7% of the Authority's net patient service revenue.

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 revenue was approximately \$1,713,000.

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 service revenue. The provider payments are due on a quarterly basis to the State of Georgia. The payments are 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 \$1,678,000. The payments are included in other expense in the accompanying statement of revenues, expenses and changes in net position.

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

3. 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 2019.

	<u>2019</u>
Gross patient charges	\$ <u>589,669,000</u>
Uncompensated services:	
Medicare	249,921,000
Medicaid	62,191,000
Blue Cross	15,718,000
Other third-party payors	34,021,000
Charity/indigent/uninsured discount	31,910,000
Bad debts	<u>35,736,000</u>
Total uncompensated care	<u>429,497,000</u>
Net patient service revenue	\$ <u>160,172,000</u>

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TIFT COUNTY HOSPITAL AUTHORITY
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Notes To Financial Statements, Continued
September 30, 2019

4. Capital Assets

Capital asset additions, retirement and balances for the year ended September 30, 2019 were as follows:

	Balance September 30, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Transfers to <u>System</u>	Balance September 30, <u>2019</u>
Capital assets, not being depreciated:					
Land	\$ 9,438,000	\$ 12,000	\$ -	\$(9,450,000)	\$ -
Construction-in- progress	<u>19,831,000</u>	<u>17,771,000</u>	<u>-</u>	<u>(37,602,000)</u>	<u>-</u>
Total capital assets, not being depreciated, net	<u>29,269,000</u>	<u>17,783,000</u>	<u>-</u>	<u>(47,052,000)</u>	<u>-</u>
Capital assets, being depreciated:					
Buildings and improvements	190,010,000	528,000	(2,361,000)	(188,177,000)	-
Equipment	318,929,000	2,874,000	(745,000)	(321,058,000)	-
Intangible assets	<u>12,586,000</u>	<u>-</u>	<u>-</u>	<u>(12,586,000)</u>	<u>-</u>
Total capital assets, being depreciated	<u>521,525,000</u>	<u>3,402,000</u>	<u>(3,106,000)</u>	<u>(521,821,000)</u>	<u>-</u>
Less accumulated depreciation for:					
Buildings and improvements	(82,427,000)	(3,439,000)	2,530,000	83,336,000	-
Equipment	(227,382,000)	(10,590,000)	276,000	237,696,000	-
Intangible assets	<u>(5,579,000)</u>	<u>(1,048,000)</u>	<u>-</u>	<u>6,627,000</u>	<u>-</u>
Total accumulated depreciation	<u>(315,388,000)</u>	<u>(15,077,000)</u>	<u>2,806,000</u>	<u>327,659,000</u>	<u>-</u>
Total capital, assets being depreciated, net	<u>206,137,000</u>	<u>(11,675,000)</u>	<u>(300,000)</u>	<u>(194,162,000)</u>	<u>-</u>
Capital assets, net	\$ <u>235,406,000</u>	\$ <u>6,108,000</u>	\$(<u>300,000</u>)	\$(<u>241,214,000</u>)	\$ <u>-</u>

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TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

5. Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2019 follows:

	Balance September 30, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Transfers to <u>System</u>	Balance September 30, <u>2019</u>
Revenue bonds:					
2013 Series	\$ 77,840,000	\$ -	\$(1,740,000)	\$(76,100,000)	\$ -
2013 Premium	<u>5,451,000</u>	<u>-</u>	<u>(94,000)</u>	<u>(5,357,000)</u>	<u>-</u>
Bonds, net	<u>83,291,000</u>	<u>-</u>	<u>(1,834,000)</u>	<u>(81,457,000)</u>	<u>-</u>
Direct borrowings:					
2016-A Bank	33,198,000	-	(1,670,000)	(31,528,000)	-
2016-B Bank	37,982,000	3,874,000	(41,856,000)	-	-
2018-A Bank	90,300,000	-	-	(90,300,000)	-
2018-C Bank	3,800,000	10,107,000	-	(13,907,000)	-
2019-USDA	<u>-</u>	<u>41,856,000</u>	<u>(262,000)</u>	<u>(41,594,000)</u>	<u>-</u>
Total direct borrowings	<u>165,280,000</u>	<u>55,837,000</u>	<u>(43,788,000)</u>	<u>(177,329,000)</u>	<u>-</u>
Capital lease:					
Building	<u>669,000</u>	<u>-</u>	<u>(15,000)</u>	<u>(654,000)</u>	<u>-</u>
Total long-term debt	\$ <u>249,240,000</u>	\$ <u>55,837,000</u>	\$ <u>(45,637,000)</u>	\$ <u>(259,440,000)</u>	\$ <u>-</u>

The terms and due dates of the Authority's long-term debt follows:

- 2013 Series – 2.00% to 5.00% 2013 Series Revenue Anticipation Certificates, principal maturing in varying annual amounts and interest payable semi-annually, secured by the Trust Estate and an intergovernmental contract with the County, due December 1, 2042. The 2013 Series contain a provision that in the event of default, the owners of not less than 25% of the principal amount outstanding may declare the bonds due and payable immediately.
- 2016-A Bank – 1.80% note payable, payable in monthly installments of \$383,000 including interest, secured by EMR system and the Trust Estate, due July 2026. The 2016-A Bank contains a provision that in the event of default, the lender may declare the debt due and payable immediately.
- 2016-B Bank – interest at a rate equal to the sum of 67% of the LIBOR daily floating rate plus 0.45%, interest payable monthly and principal due at maturity, secured by the Trust Estate, due December 2018.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

5. Long-Term Debt, Continued

- 2018-A Bank – 2.80% note payable, interest payable quarterly and principal due at maturity, secured by the Trust Estate, due March 24, 2022. The 2018-A Bank contains a provision that in the event of default, the lender may declare the debt due and payable immediately.
- 2018-C Bank – interest at a rate equal to 81.50% of the sum of the LIBOR daily floating rate plus 0.29%, interest payable monthly and principal due at maturity, secured by the Trust Estate, due February 27, 2020. The 2018-C Bank contains a provision that in the event of default, the lender may declare the debt due and payable immediately.
- 2019-USDA – interest at 2.37%, payable in monthly installments of \$163,000 including interest, secured by the Trust Estate, due November 17, 2048. The 2019-USDA contains a provision that in the event of default, the lender may declare the debt due and payable immediately.
- Building lease – interest at a rate equal to 65% of the prime rate published by the *Wall Street Journal*, payable in monthly installments of \$4,000 including interest, secured by leased building, due October 16, 2034.

The Authority operates under a Master Trust Indenture (MTI) that provides for the issuance of long-term debt under an obligated group structure. Through February 28, 2019, the Authority was the sole member of the Obligated Group. Effective March 1, 2019, Southwell and the System were added as members of the Obligated Group. All bonds and notes payable are covered under the MTI. Debt agreements covered by the MTI are secured by the Trust Estate which consists of a first pledge and lien on gross revenues of the Obligated Group.

On December 1, 2002, the Authority issued \$36,235,000 Fixed Rate Revenue Anticipation Certificates, Series 2002 (2002 Fixed). On February 19, 2013, the Authority advance refunded the 2002 Fixed outstanding balance of \$28,205,000 with proceeds from the 2013 Series. The difference between the reacquisition price and the net carrying amount, \$160,000, was recognized as a deferred inflow of resources and will be amortized over the life of the 2013 Series. As a result of the advance refunding, the Authority will decrease its total debt service requirement by \$277,000, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$2,833,000, or 10% of the principal amount being refunded.

On January 17, 2013, the Authority issued \$83,260,000 Revenue Anticipation Certificates Series 2013 (2013 Series). As security, the Authority created a first pledge of and lien on the gross revenues of the Authority. Pursuant to an intergovernmental contract, Tift County is obligated to make payments, if necessary, in amounts sufficient (limited to ad valorem tax not to exceed 7 mills) to enable the Authority to provide for the payment of principal and interest on the 2013 Series. Proceeds from the Series 2013 were issued to (i) finance or refinance certain additions, extensions, and improvements to the Authority's healthcare and related facilities, (ii) refund the Authority's outstanding 2002 Fixed, (iii) repay a bank loan, and (iv) pay the cost of issuing the 2013 Series.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

5. Long-Term Debt, Continued

On July 1, 2016, the Authority entered into a master equipment lease/purchase agreement (2016–A Bank) for \$42,000,000 with a financial institution. Proceeds of the 2016–A Bank was used for the acquisition, installation, and implementation of an Electronic Medical Records (EMR) system. During the term of the 2016–A Bank, the Authority must maintain a debt service coverage ratio greater than or equal to 1.10.

On December 20, 2016, the Authority entered into a loan agreement (2016–B Bank) for \$47,695,000 with a financial institution. Proceeds of the 2016–B Bank was used for (i) financing the costs of certain additions, extensions, and improvements to the Authority’s facilities, (ii) repay a bank loan, and (iii) paying the closing costs of the loan. During the term of the 2016-B Bank, the Authority must maintain a debt service coverage ratio greater than or equal to 1.25 and days unrestricted cash on hand greater than or equal to 90. The 2016-B Bank was paid off with proceeds of the 2019–USDA loan.

On September 24, 2018, the Authority entered into a loan agreement (2018–A Bank) for \$90,300,000 with a financial institution. Proceeds of the 2018–A Bank will be used for the construction of a patient tower and a new emergency center. During the term of the 2018-A Bank, the Authority must maintain a debt service coverage ratio greater than or equal to 1.25 and days unrestricted cash on hand greater than or equal to 75. Also on that date, the Authority obtained a nonrevolving line-of-credit with the financial institution for \$62,020,000 (2018–B Bank) subject to the same use and covenants as the 2018–A Bank. As of September 30, 2019, the Authority had not drawn on 2018–B Bank.

On February 28, 2018, the Authority entered into a loan agreement (2018–C Bank) for \$18,200,000 with a financial institution. Proceeds of the 2018–C Bank will be used for the Cook Medical replacement facility. During the term of the 2018–C Bank, the Authority must maintain a debt service coverage ratio greater than or equal to 1.25 and days unrestricted cash on hand greater than or equal to 75. Also on that date, the Authority entered into a loan agreement with the financial institution for \$20,000,000 (2018–D Bank) subject to the same use and covenants as the 2018–C Bank. After the restructuring date but before September 30, 2019, the System borrowed \$20,000,000 on the loan.

On December 17, 2018, the Authority entered into a loan agreement (2019–USDA) for \$41,856,000 with the United States Department of Agriculture (USDA). Proceeds of the 2019–USDA were used to repay the 2016–B Bank. During the term of the 2019–USDA, the Authority must maintain a debt service coverage ratio greater than or equal to 1.10 and fund a debt service reserve fund.

On December 19, 2016, the Authority received a loan commitment from the USDA to borrow \$90,300,000 for the future refinancing of the 2018–A Bank. On August 22, 2017, the Authority received a loan commitment from the USDA to borrow \$20,000,000 for the future refinancing of the 2018-D Bank. Both USDA loans will be payable over 30 years.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

5. Long-Term Debt, Continued

On October 15, 2004, the Authority entered into a contract for the construction and lease of a medical office building. The Authority and the Tift County Development Authority (Tift Development) will each provide \$800,000 towards the acquisition of property and construction of a building to be used for occupational health services. Tift Development will hold title to the premises and will lease the premises to the Authority. The lease is for a primary term of ten years without any rental payments or accrued interest and for an extended twenty-year term at a monthly rental sufficient in amount to amortize Tift Development's \$800,000 investment in equal and consecutive payments. The payments will include interest computed at a rate equal to 65% of the prime rate published by *The Wall Street Journal* and adjusted on January 1 of each year. The Authority may purchase the premises at any time during the primary or extended term of the lease for the unamortized balance of Tift Development's investment plus \$1,000.

As a condition of its worker's compensation insurance, the Authority has a letter-of-credit from a bank. The letter-of-credit is for \$1,095,000 for insurance policy year ending December 31, 2019. As of September 30, 2019, the Authority had not drawn on the letter-of-credit.

6. Investment Income (Loss)

A summary of investment income (loss) follows:

	<u>2019</u>
Interest and dividends	\$ 5,742,000
Realized losses from sale of investments	(429,000)
Unrealized losses on investments	(7,853,000)
Rental income, net of expenses	(75,000)
Loss on disposal of capital assets	(87,000)
Other income	<u>16,000</u>
Net investment loss	<u>\$(2,686,000)</u>

7. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will 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 2021. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2017, 2018 and 2019. Contributions received under the program approximated \$288,000 during fiscal year 2019. The Authority will have to be approved by the State to participate in the program in each subsequent year.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

8. Contingencies

Litigation. The Authority is involved in litigation, regulatory investigations, and compliance matters 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.

Medicare recovery audit contractors. The Centers for Medicare and Medicaid Services utilizes Recovery Audit Contractors (RACs) who are paid a contingent fee to detect and correct improper Medicare payments. RACs have authority to pursue improper payments with a three year look back from the date a claim was paid.

The Authority has received notifications from RACs regarding potential Medicare overpayments due to incorrect coding of claims. When notification of a potential claim overpayment is received, the Authority accrues a liability for the estimated amount of Medicare overpayment. The liability is then reduced when claims are refunded to Medicare or successfully appealed.

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 certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

9. Insurance Arrangements

General and professional liability. The Authority has claims-made insurance coverage for professional liability and occurrence insurance coverage for general liability. The insurance policies have limits of \$1,000,000 per claim/occurrence and \$3,765,000 annual aggregate. The Authority is self-insured to cover the deductible portion of its general and professional insurance policy. The Authority's deductible is \$50,000 for individual claims or \$500,000/\$150,000 (professional/general) annual aggregate.

Employee health. The Authority has a self-insured health plan for its employees. The Authority has purchased stop loss insurance to supplement the health plan, which will reimburse the Authority for individual claims in excess of \$150,000 annually. The Authority incurred expense related to this plan of approximately \$10,046,000.

Also, the Authority has entered into a loss financing agreement with other Georgia hospitals through a program developed by Georgia ADS, LLC. The program is designed to provide for the financing and payment of covered claims between \$225,000 and \$650,000. Commercial insurance has been obtained to provide coverage for claims exceeding \$500,000.

Continued

TIFT COUNTY HOSPITAL AUTHORITY
(A Component Unit of Tift County, Georgia)

Notes To Financial Statements, Continued
September 30, 2019

10. Retirement Plans

The Tift Regional Medical Center Retirement Savings Plan (403(b) Plan) is a 403(b) defined contribution plan established by the Authority to provide benefits at retirement to all employees of the Authority. Effective January 1, 2018, when the 401(a) Plan was amended, certain highly compensated employees have their contributions directed to the 401(a) Plan, rather than the 403(b) Plan. Tift Regional Medical Center administers the 403(b) Plan. 403(b) Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Trustees. All employees (except those who contribute to the 401(a) Plan) are required to contribute 6% of their annual compensation to the 403(b) Plan and may make additional voluntary contributions to the 403(b) Plan such that total contributions do not exceed the maximum annual amount as set periodically by the Internal Revenue Service. The Authority makes a mandatory contribution of 8% of each employee's annual compensation to the 403(b) Plan (except for those who contribute to the 401(a) Plan).

The TRMC 401(a) Defined Contribution Plan (401(a) Plan) is a defined contribution plan established by the Authority to provide benefits at retirement to certain highly compensated employees. Tift Regional Medical Center administers the 401(a) Plan. 401(a) Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Trustees. The 401(a) Plan was amended effective January 1, 2018 to include additional employees and allow for additional contribution types. Prior to amendment, there were no employee contributions to the 401(a) Plan, and the Authority made only an annual contribution for three individuals. After amendment, employees included in the 401(a) Plan are required to contribute 6% of their annual compensation to the 401(a) Plan and may make additional voluntary contributions to the 401(a) Plan such that total contributions do not exceed the maximum annual amount as set periodically by the Internal Revenue Service. After amendment, the Authority makes a mandatory contribution of 8% of annual compensation for each employee who contributes to the 401(a) Plan.

The Authority's contributions, net of forfeitures, to the 403(b) Plan and the 401(a) Plan totaled approximately \$3,643,000 for the year ended September 30, 2019.

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees
Tift County Hospital Authority
Tifton, Georgia

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of Tift County Hospital Authority for the year ended September 30, 2019, and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

Continued

Let's Think Together.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity'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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of Tift County Hospital Authority for the year ended September 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Draffin & Tucker, LLP

Atlanta, Georgia
February 27, 2020

TIFT COUNTY HOSPITAL AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended September 30, 2019

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Project or Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			CPAP000000046883 Through CPAP000000046898 and CPAP000000220174 Through	
Rural Development	Community Facilities Direct Loan	10.766	CPAP000000220176	\$ 152,155,600
U.S. Department of Health and Human Services: Centers for Medicare and Medicaid Services	Accountable Health Communities	93.650	1P1CMS331556	<u>326,886</u>
Total federal expenditures				<u>\$ 152,482,486</u>

Notes to Schedule:

- The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Tift County Hospital Authority (Authority) and Southwell, Inc. under programs of federal government for the year ended September 30, 2019. Effective March 1, 2019, the Authority undertook a corporate restructuring and executed a Lease and Transfer Agreement (Agreement) with Tift Regional Health System, Inc. (System), a Georgia not-for-profit corporation and a wholly owned subsidiary of Southwell, Inc. which assumed substantially all of the operations, assets, and liabilities of the Authority for an initial period of forty years. Balances and transactions relating to federal award programs are included in Southwell Inc.'s financial statements as of that date.

The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Authority and Southwell, Inc. it is not intended to and does not present the financial position, change in financial position, or cash flows of these entities. Expenditures reported on the Schedule are reported on the accrual basis of accounting which is consistent with the preparation of the Authority and Southwell Inc.'s financial statements. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- The Authority did not have any non-cash awards during the fiscal year.
- Federal expenditures under loan programs include any new loans made during the year and loans outstanding at the beginning of the year for which there are continuing compliance requirements. New loans made during the year ended September 30, 2019 were \$23,873,263. The balance of the loan outstanding at September 30, 2019 is \$151,430,000.
- There were no awards passed through to subrecipients.
- The Authority has elected to not use the 10% de minimis indirect cost rate.

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



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

Board of Trustees
Tift County Hospital Authority
Tifton, 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 Tift County Hospital Authority (Authority), which comprise the balance sheet as of September 30, 2019, 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 February 27, 2020.

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) to determine the 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.

Continued

Let's Think Together.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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

Atlanta, Georgia
February 27, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

Board of Trustees
Tift County Hospital Authority
Tifton, Georgia

Report on Compliance for Each Major Federal Program

We have audited Tift County Hospital Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Continued

Let's Think Together.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Draffin & Tucker, LLP

Atlanta, Georgia
February 27, 2020

TIFT COUNTY HOSPITAL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended September 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x no
 Significant deficiencies identified that are not
 considered to be material weakness(es)? _____ yes x none reported
 Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no
 Significant deficiencies identified that are not
 considered to be material weakness(es)? _____ yes x none reported

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a). _____ yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>FHA Project Number</u>	<u>Name of Federal Program</u>
10.766	CPAP000000046883 Through CPAP000000046888 and CPAP000000220174 Through CPAP000000220176	Community Facilities Direct Loan

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes x no

TIFT COUNTY HOSPITAL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
for the year ended September 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

TIFT COUNTY HOSPITAL AUTHORITY

CORRECTIVE ACTION PLAN
for the year ended September 30, 2019

None necessary.