EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

FINANCIAL STATEMENTS

for the years ended June 30, 2021 and 2020

Draffin Tucker

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Emanuel County Hospital Authority
Swainsboro, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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

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Draffin & Tucker, LLP | CPAs and Advisors | www.draffin-tucker.com
P.O. Box 71309 | 2617 Gillionville Road | Albany, GA 31708-1309 | (229) 883-7878
5 Concourse Parkway, Suite 1250 | Atlanta, GA 30328 | (404) 220-8494

Opinion

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

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, 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
November 16, 2021

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

BALANCE SHEETS
June 30, 2021 and 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash	$ 1,011,324	$ 3,152,517
Restricted cash and cash equivalents	3,619,095	6,286,119
Patient accounts receivable, net of estimated uncollectibles and contractual allowances of approximately $18,612,000 in 2021 and $14,419,000 in 2020	6,267,948	5,152,299
Supplies, at lower of cost (first-in, first-out) or market	597,535	530,007
Estimated third-party payor settlements	383,185	225,500
Other current assets	2,980,269	876,626
Total current assets	14,859,356	16,223,068
Capital assets:		
Non-depreciable	1,411,279	649,529
Depreciable, net of accumulated depreciation	14,196,795	12,474,450
Total capital assets, net of accumulated depreciation	15,608,074	13,123,979
Total assets	30,467,430	29,347,047
Deferred outflows of resources	94,339	125,786
Total assets and deferred outflows of resources	$ 30,561,769	$ 29,472,833

Continued

	2021	2020
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	$ 2,169,208	$ 1,896,690
Accounts payable	2,150,964	2,101,535
Accrued expenses	2,571,949	1,986,997
Estimated third-party payor settlements	-	231,143
Medicare advance payments, current portion	-	286,968
Unearned revenue	2,693,747	4,865,772
Total current liabilities	9,585,868	11,369,105
Medicare advance payments, long-term portion	-	2,467,925
Long-term debt, net of current maturities	3,984,159	7,672,198
Total liabilities	13,570,027	21,509,228
Net position:		
Net investment in capital assets	10,474,394	6,877,284
Unrestricted	6,517,348	1,086,321
Total net position	16,991,742	7,963,605
Total liabilities and net position	$ 30,561,769	$ 29,472,833

See accompanying notes to financial statements.

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
for the years ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately $12,057,000 in 2021 and $14,762,000 in 2020)	$ 31,774,042	$ 27,751,840
Other revenue	1,538,819	1,554,068
Total operating revenues	33,312,861	29,305,908
Operating expenses:		
Salaries and wages	18,009,711	15,859,666
Employee health and welfare	3,457,009	3,056,652
Medical supplies and drugs	3,716,676	2,099,409
Professional fees	2,427,280	2,379,850
Purchased services	3,656,225	3,803,092
Other	4,686,497	4,246,210
Depreciation and amortization	1,067,896	947,635
Total operating expenses	37,021,294	32,392,514
Operating loss	(3,708,433)	(3,086,606)
Nonoperating revenues (expenses):		
Investment income	23,662	9,305
Interest expense	(247,720)	(266,562)
Contributions restricted for debt service	989,838	986,106
Noncapital grants, contributions and other	669,871	800,652
CARES Act funding	11,300,919	-
Gain on settlement	-	227,223
Total nonoperating revenues	12,736,570	1,756,724
Increase (decrease) in net position	9,028,137	(1,329,882)
Net position, beginning of year	7,963,605	9,293,487
Net position, end of year	$ 16,991,742	$ 7,963,605

See accompanying notes to financial statements.

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 28,129,400	$ 27,467,588
Receipts from Medicare advance payments	-	2,754,893
Repayment of Medicare advance payments	(2,754,893)	-
Payments to vendors and other suppliers	(14,528,799)	(12,927,889)
Payments to employees	(21,279,752)	(18,913,326)
Other revenues	1,538,819	1,554,068
Net cash used by operating activities	(8,895,225)	(64,666)
Cash flows from noncapital financing activities:		
Proceeds from issuance of long-term debt	-	3,640,000
Principal paid on long-term debt	-	(500,000)
CARES Act funding	5,988,494	4,865,772
Noncapital grants and contributions	669,871	800,652
Net cash provided by noncapital financing activities	6,658,365	8,806,824
Cash flows from capital and related financing activities:		
Principal paid on long-term debt and capital leases	(376,121)	(1,198,805)
Interest paid on debt	(216,273)	(235,116)
Purchase of capital assets	(2,992,463)	(200,254)
Contributions restricted for debt service	989,838	986,106
Net cash used by capital and related financing activities	(2,595,019)	(648,069)
Cash flows from investing activities:		
Investment income	23,662	9,305
Net increase (decrease) in cash and cash equivalents	(4,808,217)	8,103,394
Cash and cash equivalents, beginning of year	9,438,636	1,335,242
Cash and cash equivalents, end of year	$ 4,630,419	$ 9,438,636

Continued

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	$ 1,011,324	$ 3,152,517
Restricted cash and cash equivalents	3,619,095	6,286,119
Total cash and cash equivalents	$ 4,630,419	$ 9,438,636
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$(3,708,433)	$(3,086,606)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	1,067,896	947,635
Provision for bad debts	12,056,688	14,761,716
Changes in:		
Patient accounts receivable	(13,172,337)	(14,794,377)
Estimated third-party payor settlements	(388,828)	(251,591)
Supplies	(67,528)	(82,528)
Other current assets	(2,103,643)	(222,428)
Accounts payable	(409,099)	(156,726)
Accrued expenses	584,952	65,346
Medicare advance payments	(2,754,893)	2,754,893
Net cash used by operating activities	$(8,895,225)	$(64,666)

Supplemental disclosures of cash flow information:

- Purchases of capital assets in accounts payable as of June 30, 2021 and 2020 were $494,623 and $36,095, respectively.
- The Authority financed the purchase of a building during 2021 in the amount of $101,000.
- The Authority received PPP loan forgiveness of $3,140,400 from SBA in 2021. See Note 7 for additional information.

See accompanying notes to financial statements.

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

Reporting Entity

The Emanuel County Hospital Authority (Authority) is a public corporation which operates Emanuel Medical Center, an acute care hospital licensed for 72 beds. In addition to the Hospital, the Authority operates a 49 bed skilled nursing facility, a 15 bed geriatric psychiatric unit and various rural health clinics and physician office practices. The Authority is comprised of a board of directors, which has the right to approve major expenditures and long-term borrowings.

The Board of County Commissioners of Emanuel County, Georgia nominates for appointment all non-physician Authority board members, and guarantees the 2012 Refunding Revenue Anticipation Certificates. For these reasons, the Authority is considered a component unit of Emanuel 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).

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include assets externally restricted for debt service payments, assets externally restricted under the Paycheck Protection Program (PPP) loan, as discussed in Note 7, and assets externally restricted received through the U. S. Department of Health and Human Services distributions as discussed in Note 20. Assets consist of cash and money market deposit accounts.

Continued

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

Allowance for Doubtful Accounts

The Authority provides an allowance for doubtful accounts based on an evaluation of the overall collectibility of the accounts receivable. As accounts are known to be uncollectible, the accounts are charged to deductions from revenue and bad debt expense.

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 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	5 To 25 Years
Buildings and building improvements	5 To 40 Years
Equipment, computers and furniture	3 To 20 Years

Costs of Borrowing

Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Authority's interest cost was capitalized in 2021 or 2020.

Financing Cost

Financing costs 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 20 for additional information.

Deferred Outflows of Resources

Deferred outflows of resources consist of the unamortized portion of the loss on defeasance for the 2002 Series Certificates. See Note 7 for additional information.

Continued

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

Grants and Contributions

From time to time, the Authority receives contributions from Emanuel County and grants from the State of Georgia and other agencies in addition to 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 as an increase in net position. See Note 20 for information regarding CARES Act funding.

Net Position

Net position of the Authority is classified into three components. *Net investment in capital assets* consist 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 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 outflow of resources, and liabilities 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.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Continued

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

Compensated Absences

The Authority's employees earn paid time off, which is comprised of vacation, sick, and holiday benefits at varying rates depending on years of service and are allowed to accumulate up to a specified maximum. Paid time off in excess of the specified maximum is forfeited. Employees terminating their employment may be entitled to payment for earned but unused paid time off. The estimated paid time off accrual is reported in accrued expenses on the Authority's balance sheets in both 2021 and 2020.

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.

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.

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.

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; and employee health 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 13.

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2021 and 2020.

Continued

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

Accounting Pronouncement Not Yet Adopted

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

2. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 48% and 24%, respectively, of the Authority's net patient revenue for the year ended 2021 and 47% and 25%, respectively, of the Authority's net patient 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 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 and billing appropriateness.

The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Continued

2. Net Patient Service Revenue, Continued

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

- Medicare

  Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain 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 classification of patients under the Medicare program and the appropriateness of their admission is 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 June 30, 2018.

  Nursing Home services rendered to Medicare program beneficiaries are paid at prospectively determined rates that vary according to a patient classification system. Prior to October 1, 2019, the patient classification system used was Resource Utilization Groups (RUGs). Effective October 1, 2019, the patient classification system used is the Patient Driven Payment Model (PDPM).

- 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 Medicaid program beneficiaries are reimbursed under a reduced 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 intermediary through June 30, 2018.

  Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

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

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  The State of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the State of Georgia are assessed a “provider payment” in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health (DCH). The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The “provider payment” will result in a corresponding increase in hospital payments on Medicaid services of approximately 11.88%. The Authority made or accrued “provider payments” of approximately $265,000 and $241,000 to DCH for the years ended June 30, 2021 and 2020, respectively. These payments are included in other expenses in the accompanying statement of revenues, expenses and changes in net position.

- Other Arrangements

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

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2021 and 2020 were $91,947,864 and $85,761,778, respectively.

Uncompensated care includes charity and indigent care services of $1,796,880 and $2,376,400 in 2021 and 2020, respectively. The cost of charity and indigent care services provided during 2021 and 2020 was approximately $538,000 and $678,000, respectively computed by applying a total cost factor to the charges forgone.

Continued

3. Uncompensated Services, Continued

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

	2021	2020
Gross patient charges	$ 123,721,906	$ 113,513,618
Uncompensated services:		
Charity and indigent care	1,796,880	2,376,400
Medicare	39,303,290	34,361,538
Medicaid	11,909,994	14,576,662
Other allowances	26,881,012	19,685,462
Bad debts	12,056,688	14,761,716
Total uncompensated care	91,947,864	85,761,778
Net patient service revenue	$ 31,774,042	$ 27,751,840

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 June 30, 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

Deposits as of June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Balance sheets:		
Cash	$ 1,011,324	$ 3,152,517
Restricted cash and cash equivalents:		
Externally restricted for debt service	925,348	56,008
Externally restricted under PPP loan	-	1,364,339
Externally restricted HHS distributions	2,693,747	4,865,772
Total deposits	$ 4,630,419	$ 9,438,636
Deposits consist of the following:		
Deposits	$ 3,768,694	$ 9,433,340
Money market deposit accounts	861,725	5,296
Total deposits	$ 4,630,419	$ 9,438,636

5. Accounts Receivable and Payable

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

	2021	2020
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 14,470,007	$ 12,603,347
Receivable from Medicare	7,222,879	4,822,312
Receivable from Medicaid	3,187,200	2,146,251
Total patient accounts receivable	24,880,086	19,571,910
Less allowance for uncollectible amounts and contractual allowances	(18,612,138)	(14,419,611)
Patient accounts receivable, net	$ 6,267,948	$ 5,152,299
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 1,741,439	$ 1,554,474
Payable to suppliers	2,150,964	2,101,535
Other	830,510	432,523
Total accounts payable and accrued expenses	$ 4,722,913	$ 4,088,532

Continued

6. Capital Assets

A summary of capital assets at June 30, 2021 and 2020 follows:

	2020 Balance	Increase	Decrease	Transfers	2021 Balance
Capital assets not being depreciated:					
Land	$ 649,529	$ -	$ -	$ -	$ 649,529
Construction-in-progress	-	761,750	-	-	761,750
Total capital assets not being depreciated	649,529	761,750	-	-	1,411,279
Capital assets being depreciated:					
Land improvements	360,011	13,000	-	-	373,011
Buildings	26,229,415	228,580	-	-	26,457,995
Equipment	12,515,371	2,548,661	-	-	15,064,032
Total capital assets being depreciated	39,104,797	2,790,241	-	-	41,895,038
Less accumulated depreciation:					
Land improvements	360,011	650	-	-	360,661
Buildings	14,810,620	555,961	-	-	15,366,581
Equipment	11,459,716	511,285	-	-	11,971,001
Total accumulated depreciation	26,630,347	1,067,896	-	-	27,698,243
Total capital assets, net	$ 13,123,979	$ 2,484,095	$ -	$ -	$ 15,608,074

Continued

6. Capital Assets, Continued

	2019 Balance	Increase	Decrease	Transfers	2020 Balance
Capital assets not being depreciated:					
Land	$ 649,529	$ -	$ -	$ -	$ 649,529
Construction-in-progress	63,805	5,423	(22,000)	(47,228)	-
Total capital assets not being depreciated	713,334	5,423	(22,000)	(47,228)	649,529
Capital assets being depreciated:					
Land improvements	360,011	-	-	-	360,011
Buildings	26,101,978	80,209	-	47,228	26,229,415
Equipment	12,509,072	131,952	(125,653)	-	12,515,371
Total capital assets being depreciated	38,971,061	212,161	(125,653)	47,228	39,104,797
Less accumulated depreciation:					
Land improvements	360,011	-	-	-	360,011
Buildings	14,245,956	564,664	-	-	14,810,620
Equipment	11,202,398	382,971	(125,653)	-	11,459,716
Total accumulated depreciation	25,808,365	947,635	(125,653)	-	26,630,347
Total capital assets, net	$ 13,876,030	$(730,051)	$(22,000)	$ -	$ 13,123,979

Amortization expense for equipment under capital lease obligations for the years ended June 30, 2021 and 2020 amounted to approximately $146,000. Accumulated amortization for equipment under capital lease obligations was approximately $376,000 and $230,000 at June 30, 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 Balance	Additions	Reductions	2021 Balance	Amounts Due Within One Year
Direct borrowings and direct placement:					
Revenue certificates:					
2012 Series	$ 3,530,000	$ -	$ -	$ 3,530,000	$ 1,730,000
Notes payable	5,539,776	101,000	(3,371,936)	2,268,840	289,828
Capital lease obligations	499,112	-	(144,585)	354,527	149,380
Total long-term debt	$ 9,568,888	$ 101,000	$(3,516,521)	$ 6,153,367	$ 2,169,208

	2019 Balance	Additions	Reductions	2020 Balance	Amounts Due Within One Year
Direct borrowings and direct placement:					
Revenue certificates:					
2012 Series	$ 4,365,000	$ -	$(835,000)	$ 3,530,000	$ 855,000
Revolving line-of-credit	-	500,000	(500,000)	-	-
Notes payable	2,623,262	3,140,400	(223,886)	5,539,776	897,105
Capital lease obligations	639,031	-	(139,919)	499,112	144,585
Total long-term debt	$ 7,627,293	$ 3,640,400	$(1,698,805)	$ 9,568,888	$ 1,896,690

The terms and due dates of the Authority's long-term debt including capital lease obligations at June 30, 2021 and 2020, follow:

- In December 2012, the Authority issued Refunding Revenue Anticipation Certificates Series 2012 to advance refund the 2002 Series Certificates with principal maturing in varying annual amounts with final payment due July 1, 2024, interest accruing at 2.17%. Collateralized by a pledge of the Authority's gross receipts. During 2011, Emanuel County approved by referendum a special purpose local option sales tax (SPLOST), for which a portion of the SPLOST funds would be for the Authority's debt service requirements. During 2017, the SPLOST was reimposed by referendum for an additional six-year period. The contributions related to SPLOST are included in the statements of revenues, expenses and changes in net position as nonoperating revenue for the years ended 2021 and 2020. The cumulative amount paid by Emanuel County as of 2021 is approximately $9,669,000. The SPLOST resolution is effective from January 2018 to December 2023 and does not require any amounts to be repaid to the County.

Continued

7. Long-Term Debt, Continued

As a result of the bond refunding transaction, the Authority recognized a loss on defeasance of approximately $362,000. The loss included the funds necessary to adequately fund the defeased Series 2002 escrow account. The loss is included in deferred outflows of resources on the balance sheets and is being amortized over the life of the Series 2012 Certificates.

- Revolving line-of-credit to a bank with a maximum draw of $399,900, incurring interest at 5.75% with interest only payments due annually. Outstanding principal and interest due in full in December 2021. Collateralized by property.

- In May 2020, the Authority received loan proceeds in the amount of $3,140,400 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 of amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of 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. The Authority believed its use of the proceeds was consistent with the PPP and applied for and received full forgiveness of the loan from the SBA in June 2021. PPP loans greater than $2 million are subject to review by the Small Business Administration. The Authority has recognized the forgiveness of the loan in nonoperating revenues as CARES Act funding on the statement of revenues, expenses, and changes in net position.

- Note payable to Emanuel County with a remaining principal balance of $686,248, incurring interest at the imputed rate of 5.25%, collateralized by the Authority's capital assets.

- Note payable to a bank with a remaining principal balance of $62,254, bearing interest at a rate of 5.75%. On July 30, 2017, and each thirty-six month interval thereafter, the rate will change to the Prime Rate plus 2.50%. Collateralized by property.

- Note payable to a bank with a remaining principal balance of $108,030, bearing interest at a rate of 5.25%. Collateralized by property.

- Note payable to the United States Department of Agriculture with a maximum draw amount of $1,426,250, bearing interest at a rate of 3.50%. The Authority has made the maximum amount of draws and has a remaining principal balance of $994,735. The note is collateralized by property and revenues of the Authority.

- Note payable to a bank with a remaining principal balance of $29,648, bearing interest at a rate of 5.75%. Collateralized by equipment.

Continued

7. Long-Term Debt, Continued

- Note payable to a bank with a remaining principal balance of $288,451, bearing interest at a rate of 5.50%. Collateralized by property.
- Note payable to a bank with a remaining principal balance of $99,474, bearing interest at a rate of 4.00%. Collateralized by property.
- Capital lease obligations, at varying rates of imputed interest from 2.82% to 6.45%, collateralized by leased equipment with an unamortized cost of $354,921 at June 30, 2021.

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

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

	Long-Term Debt		Capital Lease Obligations	
Year Ending June 30	Principal	Interest	Principal	Interest
2022	$ 2,019,828	$ 153,973	$ 149,380	$ 9,135
2023	1,733,872	88,009	151,206	4,191
2024	1,262,542	62,247	53,941	369
2025	134,698	26,344	-	-
2026	139,789	21,252	-	-
2027-2030	508,111	37,739	-	-
Total	$ 5,798,840	$ 389,564	$ 354,527	$ 13,695

8. Retirement Plan

The Authority provides coverage under contract with Variable Annuity Life Insurance Company (VALIC) for a retirement plan for the employees of the Authority. The plan is a defined contribution plan. The plan is open to all employees on the first day of the month following the date they have completed 90 days of service and reached age 21. The Authority makes a base contribution of .5% of the employee's compensation and if the employee elects to contribute up to 2.5% of their compensation, the Authority will match the employee's contribution.

Years of Service	Vesting Percentage
Less Than 5	0%
5 or More	100%

Continued

8. Retirement Plan, Continued

A year of service for vesting is a plan year in which the employee works at least 1,000 hours. Employee contributions are 100% vested at all times.

The Authority elected to allocate past forfeitures of approximately $-0- and $18,000, in 2021 and 2020, respectively, in lieu of cash contributions. The Authority's cost for the retirement plan in 2021 and 2020 was approximately $186,000 and $164,000, respectively. The amount owed by the Authority to the plan was approximately $-0- and $5,000 at June 30, 2021 and 2020, respectively.

9. Concentration of Credit Risk

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

The mix of receivables from patients and third-party payors is as follows:

	2021	2020
Medicare	30%	24%
Medicaid	13%	10%
Patients	28%	38%
Other third-party payors	29%	28%
Total	100%	100%

10. Hospital Management Agreement

Effective April 1, 2013, the Authority entered into a management agreement with ERHospital, LLC (ERH) for the purpose of providing management and administrative services. The original agreement was for a period of five years, with an automatic renewal of one year, unless either party provides notice of nonrenewal within ninety days prior to the end of the five year term. On April 1, 2018, the agreement was amended and renewed for an additional five years.

Under the amended agreement, consideration for the management services provided by ERH is a monthly fee of $30,000 due on the first day of each month. ERH may also be entitled to an incentive bonus equal to $50,000 each fiscal year dependent upon meeting certain performance goals agreed upon by the Authority and ERH prior to the beginning of the fiscal year. Management fees incurred under the amended agreement during 2021 and 2020 were approximately $360,000.

Continued

10. Hospital Management Agreement, Continued

On January 1, 2015, the Authority and ERH modified the management agreement whereas certain management and operational services will be provided by ERH Shared Services, LLC (Shared Services) a wholly owned subsidiary of ERH. Employees of Shared Services provide services to multiple hospitals under the management of ERH. The cost for these services are billed monthly based on each hospital's pro rata share of the total cost incurred by Shared Services. These costs mainly include salaries, wages, and benefits of the Shared Services employees. The amounts incurred by the Authority for these services were approximately $1,697,000 and $1,944,000 in 2021 and 2020, respectively.

The management and shared services fees incurred under the agreement are recorded in purchased services on the statements of revenues, expenses and changes in net position.

11. Contingencies

During the normal course of operations, the Authority is potentially subject to litigation and regulatory investigation arising from the treatment of patients and the normal operations of the Authority. In the opinion of management and legal counsel, the Authority has adequate liability insurance protection to indemnify any material asserted or unasserted claims as of June 30, 2021 and 2020.

12. Employee Health Insurance

Effective January 1, 2020, the Authority entered into an employee health insurance program through Shared Services under which a third-party administrator processes and pays claims. The Authority pays a set weekly amount per employee to Shared Services and Shared Services pays the third-party administrator for claims incurred and paid on behalf of the Authority. Shared Services has purchased stop-loss insurance coverage for claims in excess of $100,000 on behalf of the Authority for each individual employee. Prior to the implementation of this plan, the Authority maintained a purchased policy with a third party for health insurance purposes. Total expenses related to employee health insurance were approximately $1,539,000 and $1,259,000 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.

13. Medical Malpractice Claims and Judgments

The Authority is covered by a general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Self-insured retention related to this policy was $150,000 per occurrence in 2021 and 2020. The specific loss, other coverage and health care professional liability aggregate limits for each year is $5 million. Under this program, the Authority paid or accrued approximately $167,000 and $174,000 in 2021 and 2020, respectively. These amounts, which include commercial insurance premiums, are included in the statement of revenues, expenses and changes in net position as other expenses.

Continued

14. Indigent Care Trust Fund

The Authority qualified as a Medicaid disproportionate share hospital for 2021 and 2020 and received increased payment adjustments for claims paid during 2021 and 2020. The continuation of increased payment adjustments for Medicaid disproportionate share hospitals in future years is uncertain. The 2021 and 2020 financial statements include payment adjustments of approximately $493,000 and $400,000, respectively, which are reflected in net patient service revenue.

15. Medicaid Upper Payment Limit

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 $1,674,000 and $1,280,000 for the years ended June 30, 2021 and 2020, respectively.

16. 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.

17. Regulatory Compliance

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.

Continued

18. Operating Leases

The Authority leases various equipment under operating leases expiring at various dates through June 2022. Total rental expense in 2021 and 2020 for all operating leases was approximately $707,000 and $682,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2021, that have initial or remaining lease terms in excess of one year.

Year Ending	Amount at June 30
2022	$ 84,959

19. 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 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 for 2021 and 2020 were approximately $663,000 and $327,000, respectively, and are reported as noncapital grants, contributions and other on the statements of revenues, expenses and changes in net position. The Authority will have to be approved by the State to participate in the program in each subsequent year.

20. Coronavirus

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the US healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, 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 or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as

Continued

20. Coronavirus, Continued

nonoperating revenues in the statements of revenues, expenses and changes in net position. The Authority received approximately $10,946,000 in grant stimulus funding in fiscal years 2021 and 2020, of which, the Authority has recognized approximately $8,252,000 in nonoperating revenues.

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.

The Authority has received the following CARES Act 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 $471,000 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 $137,000 in funding from this distribution.

- $4.9 Billion Allocation for Skilled Nursing Facilities (SNFs) - On May 22, 2020, HHS distributed $4.9 billion to over 13,000 certified SNFs based on a fixed payment of $50,000 plus $2,500 per certified bed. The Authority received approximately $173,000 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 $3,757,000 in funding from this distribution.

- $14.4 Billion Safety Net Hospitals Distribution - On July 15, 2020, HHS distributed $3 billion of the total $14.4 billion to safety net hospitals that disproportionately provide care to the most vulnerable, and operate on thin margins. The Authority received $5 million in funding from this distribution.

- $225 Million Rural Health Clinic Distribution - 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 $297,000 in funding from this distribution.

Continued

20. Coronavirus, Continued

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* and *An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes*, the sequestration suspension was extended to December 31, 2021.

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

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 $2,755,000 in MAPP funds. In April 2021, the Authority chose to forego the recoupment process and repaid the total amount of MAPP funds received in a single lump sum payment.

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 $600,000 in funding from this distribution.

The Authority also received various other grants under the CARES Act and other state and federal programs in response to COVID-19 that totaled approximately $511,000.

21. Gain on Settlement

During 2020, the Authority settled outstanding balances owed to a vendor at an amount 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 settlement.

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
Emanuel County Hospital Authority
Swainsboro, 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 Emanuel County Hospital Authority (Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2021.

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 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 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
November 16, 2021