Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For the Years Ended
November 30, 2017 and 2016

CRI CARR RIGGS & INGRAM
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Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)
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November 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hospital Authority of Irwin County
Ocilla, Georgia

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Hospital Authority of Irwin County (the "Authority"), a component unit of Irwin County, Georgia, as of and for the years ended November 30, 2017 and 2016, and the related notes to the combined financial statements, which collectively comprise the Authority's basic 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.

Auditors' 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 audits 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 auditors' 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 entity'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 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 statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Authority of Irwin County, as of November 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying combined financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 1 to the financial statements, the Authority incurred operating losses during the years ended November 30, 2017 and 2016, and, at November 30, 2017, the Authority's current liabilities exceeded its current assets by approximately $963,000. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

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 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 Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Authority's basic financial statements. The combining statements on pages 48 through 53 are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018 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 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 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.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

September 4, 2018

Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)
Combined Statements of Net Position

November 30,		**2017**		2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**187,771**	$	151,677
Restricted cash and cash equivalents		**13,294**		8,604
Patient accounts receivable, net of estimated uncollectibles of $5,348,022 in 2017 and $6,039,492 in 2016		**1,846,122**		1,767,789
Investments, at fair value		**510,265**		-
Estimated third party payer settlements		**1,164**		-
Supplies and inventories		**256,823**		243,099
Other current assets		**783,566**		658,658
Total current assets		**3,599,005**		2,829,827
Capital assets				
Nondepreciable		**182,812**		193,901
Depreciable, net of accumulated depreciation		**5,215,688**		5,376,659
Total capital assets, net		**5,398,500**		5,570,560
Other assets				
Restricted cash and cash equivalents		**4,554**		4,554
Investments, at fair value		**300,560**		-
Other assets		**203,990**		182,990
Total other assets		**509,104**		187,544
Total assets	**$**	**9,506,609**	$	8,587,931

- Continued -

Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)
Combined Statements of Net Position (Continued)

November 30,	**2017**	2016
Liabilities and Net Position		
Current liabilities		
Accounts payable	**$ 2,856,906**	$ 2,211,881
Accrued expenses	**1,005,560**	880,831
Estimated third party payer settlements	**-**	71,276
Short-term debt	**325,219**	151,465
Current portion of long-term debt	**141,910**	605,268
Current portion of related party debt	**219,054**	207,672
Trust funds payable from restricted assets	**13,294**	8,604
Total current liabilities	**4,561,943**	4,136,997
Long-term liabilities		
Long-term debt, net	**94,819**	108,189
Related party debt, net	**620,631**	840,783
Total long-term liabilities	**715,450**	948,972
Total liabilities	**5,277,393**	5,085,969
Net position (deficit)		
Net investment in capital assets	**5,134,320**	5,430,128
Restricted - expendable	**4,554**	4,554
Unrestricted deficit	**(909,658)**	(1,932,720)
Total net position	**4,229,216**	3,501,962
Total liabilities and net position	**$ 9,506,609**	$ 8,587,931

Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)
Combined Statements of Revenues, Expenses, and Changes in Net Position

For the years ended November 30,	**2017**	2016
Operating Revenues		
Net patient service revenue (net of provision for bad debts of $3,786,601 in 2017 and $3,873,888 in 2016)	**$ 14,866,656**	$ 14,961,202
Other operating revenue	**220,324**	108,529
Total operating revenues	**15,086,980**	15,069,731
Operating Expenses		
Professional care of patients	**8,947,015**	8,455,394
Dietary services	**569,878**	522,539
General services	**896,090**	807,902
Administrative services	**3,108,908**	2,821,468
Employee health and welfare	**1,404,584**	2,190,604
Depreciation and amortization	**390,240**	415,125
Total operating expenses	**15,316,715**	15,213,032
Operating loss	**(229,735)**	(143,301)
Nonoperating Revenues (Expenses)		
Investment earnings, net	**16,264**	7,253
Donations - Georgia HEART hospital program (Note 19)	**215,275**	-
Other donations	**852,293**	-
Other income	**-**	36,058
Gain of disposal of assets	**-**	7,000
Interest expense	**(126,843)**	(149,111)
Total nonoperating revenues (expenses)	**956,989**	(98,800)
Increase (Decrease) in Net Position	**727,254**	(242,101)
Net Position, beginning of year	**3,501,962**	3,744,063
Net Position, end of year	**$ 4,229,216**	$ 3,501,962

The accompanying notes are an integral part of these combined financial statements.

Combined Statements of Cash Flows

For the years ended November 30,	**2017**	2016
Operating Activities		
Receipts from and on behalf of patients	**$ 14,705,525**	$ 15,718,375
Payments to suppliers and contractors	**(6,739,232)**	(6,860,477)
Payments to and on behalf of employees	**(7,364,727)**	(8,130,734)
Receipts of Electronic Health Records incentives	**42,747**	4,761
Other receipts (payments), net	**(10,443)**	(116,745)
Net cash provided by operating activities	**633,870**	615,180
Noncapital Financing Activities		
Finance charges	**(14,141)**	(23,517)
Donations - Georgia HEART hospital program (Note 19)	**176,389**	-
Other donations	**45,573**	-
Proceeds from the issuance of short-term debt	**153,742**	212,824
Principal paid on short-term obligations	**(178,686)**	(265,800)
Interest paid on short-term obligations	**(5,500)**	(4,909)
Principal paid on long-term debt	**(386,358)**	(371,646)
Interest paid on long-term debt	**(8,484)**	(29,196)
Principal paid on related party debt	**(208,770)**	(206,123)
Interest paid on related party debt	**(61,700)**	(84,871)
Net cash used in noncapital financing activities	**(487,935)**	(773,238)
Capital and Related Financing Activities		
Purchase of capital assets	**(69,868)**	(236,146)
Proceeds from the sale of capital assets	**-**	7,500
Net insurance proceeds	**-**	36,058
Financing of capital lease additions	**-**	173,200
Principal paid on capital lease obligations	**(35,653)**	(32,764)
Interest paid capital lease obligations	**(11,789)**	(11,789)
Net cash used in capital and related financing activities	**(117,310)**	(63,941)
Investing Activities		
Interest received on investments, net of investment fees	**12,159**	7,253
Net Increase (Decrease) in Cash and Cash Equivalents	**40,784**	(214,746)
Cash and Cash Equivalents, beginning of year	**164,835**	379,581
Cash and Cash Equivalents, end of year	**$ 205,619**	$ 164,835

- Continued -

Combined Statements of Cash Flows (Continued)

For the years ended November 30,	**2017**	2016
Cash and Cash Equivalents, end of year	**$ 205,619**	$ 164,835
Classified as:		
Cash and cash equivalents	**187,771**	151,677
Current restricted cash and cash equivalents	**13,294**	8,604
Noncurrent restricted cash and cash equivalents	**4,554**	4,554
	$ 205,619	$ 164,835
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	**$ (229,735)**	$ (143,301)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	**390,240**	415,125
Reclass of construction in progress to expense	**11,089**	-
Changes in:		
Patient accounts receivable, net	**(78,333)**	601,588
Supplies	**(13,724)**	21,779
Other current assets	**(86,022)**	(84,789)
Other assets	**(21,000)**	(92,990)
Estimated third party payer settlements	**(72,440)**	81,583
Accounts payable	**710,604**	95,332
Accrued expenses	**103,168**	(76,035)
Trust funds payable from restricted assets	**4,690**	4,388
OIG settlement accrual (long-term debt)	**(84,667)**	(207,500)
Net cash provided by operating activities	**$ 633,870**	$ 615,180
Supplemental Disclosure of Noncash Financing and Investing Activities:		
Financing of accounts payable through short term debt	**$ 198,698**	$ -
Financing of capital purchases through capital lease	**29,950**	-
Financing of capital purchases through accounts payable	**129,451**	-
Donations of noncash investments and interest receivable	**806,720**	-
Unrealized gain on investments	**4,105**	-
Reclass of construction in progress to expense	**11,089**	-

The accompanying notes are an integral part of these combined financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hospital Authority of Irwin County (the "Authority") was created by the Board of County Commissioners of Irwin County, Georgia on March 20, 1950 under the Hospital Authorities Law of the State of Georgia to operate, control, and manage all matters concerning the county's healthcare functions. The Authority owns and operates an acute care hospital (the "Hospital") and a hospital-based nursing home (the "Nursing Home").

The Authority has a nine-member board consisting of all five members of the Board of County Commissioners of Irwin County, Georgia and four other members appointed by the Board of County Commissioners. Because of this, and because the Authority has the potential to provide specific financial benefits to, or impose specific financial burdens on Irwin County, Georgia, the Authority is considered to be a component unit of the County.

The combined financial statements also include the accounts of the Irwin County Healthcare Foundation (the "Foundation"), as of its fiscal year end of December 31. The Foundation is a not-for-profit organization created in 2017 exclusively for supporting, aiding, and advancing the charitable, educational and scientific projects, purposes, and goals of the Hospital in advancing, advocating, and providing for the healthcare needs of Irwin County. All significant inter-entity accounts and transactions have been eliminated. The Foundation is included in the combined financial statements as a blended component unit pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*, which requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The board of the Authority and the board of Foundation elect members of the Foundation's governing board on a rotating basis. The Foundation does not issue separate financial statements.

Liquidity and Going Concern

As shown in the accompanying combined financial statements, the Authority incurred net operating losses totaling approximately $230,000 and $143,000 for the years ended November 30, 2017 and 2016, respectively. In addition, at November 30, 2017, the Authority's current liabilities exceeded its current assets by approximately $963,000. The combined effect of these factors, as well as others, creates substantial doubt about the Authority's ability to continue as a going concern.

Management of the Authority has developed a plan to reduce expenditures and increase cash from operations through improved collections on patient charges and is actively working with its vendors and creditors to make payment arrangements or finance outstanding amounts due. These plans were implemented in 2016 and showed results, yet challenges still remain. In addition, the Authority believes it has the ability to reduce costs and obtain funding from additional sources, including established lines of credit, should this be necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Going Concern (Continued)

The ability of the Authority to continue as a going concern is dependent, in part, on the success of these initiatives. There can be no guarantees that such plans will succeed. The accompanying combined financial statements do not include any adjustments that might be necessary if the Authority is unable to continue as a going concern.

Basis of Presentation and Accounting

The accompanying combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

The Authority operates as an enterprise fund and utilizes the economic resources measurement focus and accrual basis of accounting. Substantially all revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of cash flows, in accordance with GASB standards.

Based on GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), the Authority has elected to include all pre-November 30, 1989 Financial Accounting Standards Board ("FASB") pronouncements which are now codified in GASB 62. As such, disclosures of FASB or AICPA pronouncements applied to these and future financial statements are no longer required.

Use of Estimates

The preparation of financial statements in conformity 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.

Significant items subject to such estimates include the determination of the allowances for uncollectible accounts and contractual adjustments, reserves for employee health care claims, accrued professional liability costs, and estimated third-party payer settlements. 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 related to these programs will change by a material amount in the near term.

Reclassifications

Certain amounts in the November 30, 2016 combined financial statements have been reclassified, with no effect on the previously reported net position or change in net position, to conform to the November 30, 2017 combined financial statement presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

Restricted Cash and Cash Equivalents

Current restricted cash and cash equivalents include demand deposits held in trust for residents of the Nursing Home. A corresponding current liability, trust funds payable from restricted assets, has also been included on the accompanying combined statements of net position.

Noncurrent restricted cash and cash equivalents include restricted cash which is not expected to be used within the next year due to donor-imposed constraints.

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by an allowance for estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Authority analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provisions for bad debt and third-party contractual adjustments. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowance. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third party coverage, the Authority analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third party coverage exists for part of the bill, the Authority records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Authority's allowance for uncollectible accounts was approximately 74% and 77%, respectively, of gross patient receivables at November 30, 2017 and 2016. The Authority has not materially altered its accounts receivable and revenue recognition policies and did not have significant write-offs from third party payers in fiscal year 2017, other than timely filing denials.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supplies

Supplies are stated at cost using the first-in, first-out method, which is not in excess of market.

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in the statement of revenues, expenses, and changes in net position.

Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line half-year convention method. Estimated useful lives are as follows:

Land improvements	5 to 20 years
Buildings and improvements	5 to 50 years
Equipment	3 to 20 years

Equipment under capital lease obligations is amortized on the straight-line half-year convention method, generally over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense in the combined financial statements.

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. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. 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 assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of November 30, 2017 and 2016.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets. There was no interest capitalized during the years ended November 30, 2017 and 2016.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Authority's employees earn paid annual leave (PAL) at varying rates depending on years of service. Employees are required to take a minimum of 40 hours of PAL per year. PAL time can accumulate to a maximum of 240 hours. Employees will be paid PAL at time of termination if the reason for termination meets the Authority's policy. The Authority’s estimated accrual for accumulated PAL is recorded as a current liability on the accompanying combined statements of net position. Sick leave accrues at a standard rate regardless of years of service and accumulates to a maximum of 240 hours. Employees are not paid for unused sick leave at termination.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority had no items that qualify for reporting in this category at November 30, 2017 and 2016.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority had no items that qualify for reporting in this category at November 30, 2017 and 2016.

Net Position

Net position is classified into one of three categories, as follows:

Net investment in capital assets – Consists of unrestricted net position invested in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding borrowing used to finance the purchase or construction of those assets.

Restricted net position – Net position whose use is not subject solely to the Authority's own discretion. At November 30, 2017 and 2016, restricted net position consisted of cash restricted as to use by donor.

Unrestricted net position – Unrestricted net position balances represent resources that can be used at the Authority’s discretion in carrying out its objectives.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The Authority's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare 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 healthcare services, other than financing costs.

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers, as well as the provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements become known or as years are no longer subject to such audits, reviews, and investigations. During the years ended November 30, 2017 and 2016, net patient service revenue decreased by approximately $108,000 and $87,000, respectively, due to changes in estimates related to prior cost reporting periods and removals of allowances previously estimated that are no longer considered necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations.

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 potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program.

Income taxes

As a governmental entity, the Authority is exempt from federal and state income taxes. The Foundation is a non-stock, not-for-profit Georgia corporation considered to be and operated as if it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying combined financial statements at November 30, 2017 and 2016.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as net revenue.

Contributions

From time to time, the Authority receives contributions from Irwin County, Georgia as well as contributions from individuals and private organizations. Revenues from contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. 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.

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.

The Authority is self -insured for employee health coverage, up to a limit of $50,000 per individual claim, as discussed in Note 15. Commercial insurance coverage is purchased for all other significant exposures. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year. See Note 18 for additional information related to the Authority's general and professional coverage.

Insurance Claims and Related Insurance Recoveries

The Authority evaluates its exposure to losses arising from claims and recognizes a liability, if necessary. The provisions for claims under the Authority’s self-insurance plan for employee health benefits and for estimated medical malpractice claims, if any, include estimates of the ultimate costs for both reported claims and claims incurred but not reported. Such liabilities are not presented net of anticipated insurance recoveries.

Impact of Recently Adopted Accounting Pronouncements

During the year ended November 30 2017, the Authority adopted four new statements of financial accounting standards issued by GASB, as follows:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Adopted Accounting Pronouncements (Continued)

- Statement No. 77, *Tax Abatement Disclosures* (GASB 77)
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78)
- Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14* (GASB 80)

GASB 74 establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit ("OPEB") plans. GASB 74 replaces GASB Statement No. 43*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. The adoption of GASB 74 had no impact on the Authority's financial statements.

GASB 77 defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those agreements that are entered into by other governments and that reduce the reporting government's tax revenues. There was no impact on the Authority's financial statements as a result of the implementation of GASB 77.

GASB 78 amends the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No.* 27 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). GASB 78 also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There was no material impact on the Authority's financial statements as a result of the implementation of GASB 78.

GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments by providing an additional criterion. A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member as identified in the component unit's articles of incorporation or bylaws. There was no impact on the Authority's financial statements as a result of the implementation of GASB 80.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Recently Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Authority upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
75	*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	2018
81	*Irrevocable Split-Interest Agreements*	2018
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2020
85	*Omnibus 2017*	2018
86	*Certain Debt Extinguishment Issues*	2018
87	*Leases*	2021

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information are addressed. GASB 75 is effective for fiscal years beginning after June 15, 2017.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. The requirements of GASB 81 are effective for periods beginning after December 15, 2016.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Recently Issued But Not Yet Effective (Continued)

GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to AROs. Existing laws and regulations require governments to take specific actions to retire certain capital assets. Other obligations to retire certain capital assets may arise from contracts or court judgments. Under GASB 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions. GASB 83 requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an ARO will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. Disclosure requirements include a general description of the ARO and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability, and other relevant information. The requirements for GASB 83 are effective for reporting periods beginning after June 15, 2018.

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. GASB 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Recently Issued But Not Yet Effective (Continued)

GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2017.

GASB 86 improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB 86 are effective for reporting periods beginning after June 15, 2017.

The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after December 15, 2019.

Current Healthcare Environment

The Authority monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Authority in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Healthcare Environment (Continued)

- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Authority's financial position and operating results.

Subsequent Events

Management has evaluated subsequent events through September 4, 2018, the date these combined financial statements were available to be issued. Management has deemed the following subsequent events necessary for disclosure:

Line of Credit – Irwin County State Bank - In January 2018, the Authority entered into a revolving line of credit agreement with Irwin County State Bank. This agreement is for a maximum amount of $200,075, with interest at 1.65%. The line of credit matures on January 25, 2019 and is collateralized by certificates of deposit of the Ocilla-Irwin County Development Authority.

Irwin County Healthcare Foundation - In January 2018, the governing board of the Irwin County Healthcare Foundation designated $100,000 of its assets to be readily available to the Authority for operating purposes. Any borrowings and interest income and expense between the Authority and the Foundation will be eliminated for purposes of future combined financial statements.

NOTE 2 – NET PATIENT SERVICE REVENUE

The Authority has agreements with third-party payers 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. The Authority does not believe there are any significant credit risks associated with receivables due from third party payers.

A summary of the payment arrangements with major third party payers 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.

NOTE 2 – NET PATIENT SERVICE REVENUE (CONTINUED)

Nursing home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system called Resource Utilization Groups (RUGs).

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The MAC has issued tentative settlements through November 30, 2015; however, the Authority's Medicare cost reports have only been final audited by the MAC through November 30, 2014.

For the years ended November 30, 2017 and 2016, revenue from Medicare programs accounted for approximately 12% of the Authority's gross patient service revenue.

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 cost reimbursement methodology.

The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through November 30, 2015.

The Authority has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems. 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 participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for serving 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 $726,371 and $431,720 for the years ended November 30, 2017 and 2016, respectively.

NOTE 2 – NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid (Continued)

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was $477,752 and $312,568 for the years ended November 30, 2017 and 2016, respectively.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the “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. 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 an increase in hospital payments on Medicaid services of approximately 11.88%. Expenses totaling $339,544 and $325,547 relating to the Act are included in administrative services in the accompanying combined statements of revenues, expenses, and changes in net position for the years ended November 30, 2017 and 2016, respectively.

For the years ended November 30, 2017 and 2016, revenue from the Medicaid (including Medicaid managed care) program accounted for approximately 41% and 42%, respectively, of the Authority's gross patient service revenue.

Other Arrangements

The Authority has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Authority under these agreements includes discounts from established charges.

NOTE 3 – ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology became subject to reductions in Medicare reimbursements beginning in 2015.

NOTE 3 – ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS (CONTINUED)

On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations with criteria divided into three distinct stages: I, II, and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

The Medicaid portion of the program is administered by the Georgia Department of Community Health based upon the criteria in the final rules and is paid over three years. In the first year, eligible hospitals must attest to having adopted, implemented, upgraded or demonstrated meaningful use of certified EHR technology. In the second and subsequent years, the hospitals will be subject to additional meaningful use criteria in order to continue receiving payments.

The Authority's attestation to the demonstration of meaningful use and other requirements under the Medicare and Medicaid EHR programs is subject to audit. When the Authority is selected for an audit, it is likely the incentive payments will be reduced or recouped based on audit results.

The Authority recognizes income related to Medicare and Medicaid incentive payments using a gain contingency model. When the gain contingency model is used, hospitals may not recognize revenue for incentive payments until after they have successfully complied with meaningful use criteria during the entire EHR reporting period.

During the years ended November 30, 2017 and 2016, the Authority recognized $247 and $4,761, respectively, of EHR incentive income related to Medicare incentive programs and $42,500 and $0, respectively, of EHR incentive income related to Medicaid incentive programs. These amounts are included in other operating revenue on the accompanying combined statements of revenues, expenses, and changes in net position.

The Authority’s management believes it is unlikely that any additional significant meaningful use incentives will be received in the future, as the terms of the program are coming to a close.

NOTE 4 – UNCOMPENSATED SERVICES

During the years ended November 30, 2017 and 2016, the Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services were $28,401,499 and $26,012,479 for the years ended November 30, 2017 and 2016, respectively.

Uncompensated care for the years ended November 30, 2017 and 2016 includes charity and indigent care services of $1,309,540 and $1,377,111, respectively. The cost of charity and indigent care services provided during fiscal years 2017 and 2016 was estimated to be approximately $386,564 and $431,507, respectively, calculated by applying the cost to charge ratio from the latest Medicare cost report to charges forgone.

NOTE 4 – UNCOMPENSATED SERVICES (CONTINUED)

A summary of uncompensated services and reconciliation of gross patient charges to net patient service revenue follows.

For the years ended November 30,	**2017**	2016
Gross patient charges	**$ 43,268,155**	$ 40,973,681
Uncompensated services:		
Charity care	**63,164**	49,861
Indigent care	**1,246,376**	1,327,250
Contractual adjustments		
Medicare	**2,747,674**	2,947,336
Medicaid	**11,661,368**	10,572,156
Other allowances	**8,896,316**	7,241,988
Bad debts	**3,786,601**	3,873,888
Total uncompensated care	**28,401,499**	26,012,479
Net patient service revenue	**$ 14,866,656**	$ 14,961,202

NOTE 5 – DEPOSITS AND INVESTMENTS

The Authority's cash and cash equivalents are classified in the accompanying combined statements of net position as follows:

November 30,	**2017**	2016
Cash and cash equivalents	**$ 187,771**	$ 151,677
Restricted cash and cash equivalents	**13,294**	8,604
Noncurrent restricted cash and cash equivalents	**4,554**	4,554
Total	**$ 205,619**	$ 164,835

Carrying amounts for cash deposits are as follows:

November 30,	**2017**	2016
Demand deposits with financial institutions	**$ 163,742**	$ 164,835
Deposits held with investment custodian	**41,877**	-
Total	**$ 205,619**	$ 164,835

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party.

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority's bylaws require that all bank balances be insured or collateralized by U. S. government securities held by the Authority's third party agent or the pledging financial institution's trust department in the name of the Authority. Furthermore, state statutes require that all public deposits be collateralized by pledged securities that equal no less than 110 percent of the public funds being secured, after deduction of deposit insurance. At November 30, 2017 and 2016, all of the Authority’s cash deposits were entirely insured by Federal Deposit Insurance Corporation (FDIC).

The investments held by the Foundation are held by a single counterparty in the Foundation’s name. Consequently, these investments are exposed to custodial credit risk. The Foundation has no formal policy on custodial credit risk.

A concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Neither the Authority nor the Foundation has a formal policy on investment concentrations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Neither the Authority nor the Foundation has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates.

At December 31, 2017 the Foundation’s investments, at fair value, consisted of the following:

		Investment Maturity				
	Fair Value	Unknown or N/A	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Government securities	$ 155,447	$ 61,551	$ -	$ 42,639	$ 31,111	$ 20,146
Corporate bonds	154,132	27,282	9,019	60,724	48,994	8,113
Equity securities	501,246	501,246	-	-	-	-
	$ 810,825	$ 590,079	$ 9,019	$ 103,363	$ 80,105	$ 28,259

			Investment Rating			
	Fair Value	Interest	AAA	A-	AA-	Unknown
Government securities	$ 155,447	1.38-5.25%	$ 155,447	$ -	$ -	$ -
Corporate bonds	154,132	1.88-5.75%	9,943	7,013	3,137	134,039
Equity securities	501,246		-	-	-	501,246
	$ 810,825		$ 165,390	$ 7,013	$ 3,137	$ 635,285

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Income from investments, net consisted of the following:

*For the years ended November 30, (**December 31,)*		**2017**		2016
Unrealized gains on investments**	**$**	**4,105**	$	-
Interest and dividend income on investments**		**192**		-
Investment fees**		**(80)**		-
Income from investments, net**		**4,217**		-
Interest earnings on cash and cash equivalents		**12,047**		7,253
Investment earnings, net	**$**	**16,264**	$	7,253

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes inputs in to three categories – Level 1, Level 2, and Level 3 inputs – considering the relative reliability of inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the Foundations' investments, at fair value as of December 31, 2017 by level within the valuation hierarchy:

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

		Valuation Hierarchy		
	Fair Value	Level 1	Level 2	Level 3
Government securities	$ 155,447	$ 155,447	$ -	$ -
Corporate bonds	154,132	137,177	16,955	-
Equity securities	501,246	501,246	-	-
	$ 810,825	$ 793,870	$ 16,955	$ -

NOTE 6 – CONCENTRATIONS

Patient Service Revenue

During the years ended November 30, 2017 and 2016, approximately 42% and 38%, respectively, of the Authority's gross patient revenues were attributable to a single physician.

Patient Accounts Receivable, Net

The Authority grants credit without collateral to patients, most of whom are local residents and are insured under third party payer agreements. Though the Authority generally does not require collateral or other security in extending credit to patients, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, and commercial insurance policies). The Authority has provided contractual allowances on the third party payer receivables and an allowance for uncollectible accounts on uninsured patient receivables which management believes will be adequate to absorb any credit losses that may result from existing receivables.

The mix of receivables from discharged patients and third party payers was as follows:

November 30,	**2017**	2016
Medicare	**9%**	9%
Medicaid	**28%**	29%
Blue Cross	**4%**	4%
Other third party payers	**23%**	21%
Patients	**36%**	37%
	100%	100%

NOTE 7 – PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable, net, reported as current assets by the Authority consisted of these amounts:

November 30,	**2017**	2016
Receivable from patients and their insurance carriers	**$ 4,117,091**	$ 4,642,206
Receivable from Medicare	**643,667**	737,703
Receivable from Medicaid	**2,014,246**	2,216,878
Professional fee billings and other receivables	**419,140**	210,494
Total patient accounts receivable	**7,194,144**	7,807,281
Less allowance for uncollectible accounts	**(5,348,022)**	(6,039,492)
Patient accounts receivable, net	**$ 1,846,122**	$ 1,767,789

NOTE 8 – CAPITAL ASSETS

Capital asset additions, retirements, transfers, and balances for the year ended November 30, 2017 were as follows:

	Balance 11/30/2016	**Additions**	**Reductions**	**Transfers**	**Balance 11/30/2017**
Land	$ 182,812	$ -	$ -	$ -	**$ 182,812**
Projects-in-progress	11,089	-	(11,089)	-	**-**
Total capital assets not being depreciated	193,901	-	(11,089)	-	**182,812**
Land improvements	201,748	-	-	-	**201,748**
Buildings & improvements	10,019,651	154,559	-	-	**10,174,210**
Equipment	5,799,614	44,760	(532,174)	-	**5,312,200**
Capital lease equipment	173,200	29,950	-	-	**203,150**
Total capital assets being depreciated	16,194,213	229,269	(532,174)	-	**15,891,308**
Less accumulated and amortization for:					
Land improvements	(171,926)	(3,666)	-	-	**(175,592)**
Buildings & improvements	(5,299,542)	(271,660)	-	-	**(5,571,202)**
Equipment	(5,342,371)	(106,395)	532,174	-	**(4,916,592)**
Capital lease equipment	(3,715)	(8,519)	-	-	**(12,234)**
Total accumulated depreciation and amortization	(10,817,554)	(390,240)	532,174	-	**(10,675,620)**
Capital assets being depreciated, net	5,376,659	(160,971)	-	-	**5,215,688**
Total capital assets, net	$ 5,570,560	$ (160,971)	$ (11,089)	$ -	**$ 5,398,500**

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Capital asset additions, retirements, transfers, and balances for the year ended November 30, 2016 were as follows:

	Balance 11/30/2015	Additions	Reductions	Transfers	Balance 11/30/2016
Land	$ 182,812	$ -	$ -	$ -	$ 182,812
Projects-in-progress	-	11,089	-	-	11,089
Total capital assets not being depreciated	182,812	11,089	-	-	193,901
Land improvements	201,748	-	-	-	201,748
Buildings & improvements	10,019,651	-	-	-	10,019,651
Equipment	5,748,257	51,857	(500)	-	5,799,614
Capital lease equipment	-	173,200	-	-	173,200
Total capital assets being depreciated	15,969,656	225,057	(500)	-	16,194,213
Less accumulated and amortization for:					
Land improvements	(167,280)	(4,646)	-	-	(171,926)
Buildings & improvements	(5,028,530)	(271,012)	-	-	(5,299,542)
Equipment	(5,206,619)	(135,752)	-	-	(5,342,371)
Capital lease equipment	-	(3,715)	-	-	(3,715)
Total accumulated depreciation and amortization	(10,402,429)	(415,125)	-	-	(10,817,554)
Capital assets being depreciated, net	5,567,227	(190,068)	(500)	-	5,376,659
Total capital assets, net	$ 5,750,039	$ (178,979)	$ (500)	$ -	$ 5,570,560

NOTE 9 – NOTE RECEIVABLE

In October 2003, the Authority signed a promissory note with Charlton Memorial Hospital. Terms of the note required Charlton Memorial Hospital to pay the Authority approximately $541,000 at an interest rate of 4%, with principal and interest due and payable in full on January 26, 2004. The note was not paid on the due date, and terms were extended; however, no new promissory note was signed. Charlton Memorial Hospital closed in 2013 and is currently in bankruptcy proceedings. Although it is the Authority's intention to pursue collection of the note, it is not expected to be received. The remaining balance of $329,000 was fully reserved at November 30, 2017 and 2016.

NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

November 30,	**2017**	2016
Payable to vendors	**$ 2,646,805**	$ 2,146,786
Refunds payable to patients and insurers	**80,953**	55,923
Payable to and on behalf of employees (including payroll taxes and health claims)	**666,235**	522,725
Accrued interest	**25,229**	-
General and professional liability accrual	**25,000**	25,000
Provider tax accrued and payable	**189,506**	112,883
Payable to others	**228,738**	229,395
	$ 3,862,466	$ 3,092,712

NOTE 11 – SHORT-TERM DEBT

In September 2015, the Authority signed a promissory note with a managed care organization whereby it received $100,000 for the financing of operations to be repaid in four equal monthly installments of $25,000 beginning in November 2015 and concluding in February 2016. Such note was noninterest bearing, except in the case of default, and provided that the managed care organization may, in the case of default, recover unpaid amounts through the offsetting of any payments it would be obligated to pay Authority under the Hospital Services Agreement between the two entities. The note balance was paid off during the year ended November 30, 2016.

In September 2015, the Authority financed $127,036 related to insurance premiums. Under the financing agreement, which bore interest at 5.85%, principal and interest payments were due in 11 consecutive monthly installments of $11,889 beginning in September 2015. This debt was paid off during the year ended November 30, 2016.

In January 2016, the Authority financed $32,253 related to insurance premiums. Under the financing agreement, which bore interest at 3.94%, principal and interest payments were due in 11 consecutive monthly installments of $2,990 beginning in February 2016. This debt was paid off during the year ended November 30, 2017.

In September 2016, the Authority financed $180,571 related to insurance premiums. Under the financing agreement, which bore interest at 6.10%, principal and interest payments were due in 11 consecutive monthly installments of $16,920 beginning in September 2016. This debt was paid off during the year ended November 30, 2017.

NOTE 11 – SHORT-TERM DEBT (CONTINUED)

In September 2017, the Authority financed $153,742 related to insurance premiums. Under the financing agreement, which bears interest at 7.05%, principal and interest payments are due in 11 consecutive monthly installments of $14,474 beginning in September 2017. At November 30, 2017, the balance outstanding on this agreement totaled $126,521.

In November 2017, the Authority was ordered to pay a $198,698 vendor balance in a structured settlement payable over 12 months beginning in December 2017, with principal installments of $16,558 and interest accruing at 7.50%. At November 30, 2017, the balance outstanding on this agreement totaled $198,698.

A summary of changes in the Authority's short-term debt for the years ended November 30, 2017 and 2016 follows:

	Balance 11/30/2016	Additions	Reductions	Balance 11/30/2017
Notes payable:				
Insurance financing	$ 151,465	$ 153,742	$ (178,686)	**$ 126,521**
Vendor settlement	-	198,698	-	**198,698**
Total short-term debt	$ 151,465	$ 352,440	$ (178,686)	**$ 325,219**

	Balance 11/30/2015	Additions	Reductions	Balance 11/30/2016
Notes payable:				
Insurance financing	$ 104,441	$ 212,824	$ (165,800)	$ 151,465
Managed care org.	100,000	-	(100,000)	-
Total short-term debt	$ 204,441	$ 212,824	$ (265,800)	$ 151,465

NOTE 12 – LONG-TERM DEBT

The Authority's long-term debt consisted of the following obligations:

November 30,	**2017**	2016
Note payable - Frontier Building Systems, Inc.: $750,000 security deed note to provide cash for operations, dated November 11, 2015, bearing interest at 5.00%, securitized by land and the assignment of revenues. Principal and interest payable in 24 consecutive monthly installments of $32,904 beginning in December 2015.	**$ -**	$ 384,358
Capital lease payable: Capital lease obligation with an interest rate of 7.51% and monthly payments of $2,441, maturing November 2020; collateralized by leased building improvements with an amortized cost of $115,710 and $119,770 at November 30, 2017 and 2016, respectively.	**75,282**	97,758
Capital lease payable: Capital lease obligation with an interest rate of 6.81% and monthly payments of $1,013, maturing November 2020; collateralized by leased building improvements with an amortized cost of $48,002 and $50,543 at November 30, 2017 and 2016, respectively.	**32,371**	42,674
Capital lease payable: Capital lease obligation with an interest rate of 5.74% and monthly payments of $575, maturing June 2022; collateralized by leased equipment with an amortized cost of $27,205 and $0 at November 30, 2017 and 2016, respectively.	**27,076**	-
OIG settlement payable: In January 2015, the Authority reached a settlement agreement with the U.S. Department of Health and Human Services, Office of Inspector General (OIG) related to a matter which arose during the 2014 fiscal year. As part of the settlement, the Authority agreed to make structured payments totaling $640,000 to be paid to the United States, the State of Georgia, and various other parties over the period of February 2015 through January 2017.	**-**	84,667
Settlement payable: In May 2015, the Authority reached a formal agreement with a legal firm to settle its outstanding trade balance for $170,000, interest-free, through structured payments spanning from June 2015 to August 2017.	**102,000**	104,000
	236,729	713,457
Less amounts due within one year	**(141,910)**	(605,268)
	$ 94,819	$ 108,189

NOTE 12 – LONG-TERM DEBT (CONTINUED)

A summary of changes in long-term debt, including capital lease obligations, for the years ended November 30, 2017 and 2016 follows:

	Balance 11/30/2016	Additions	Reductions	Balance 11/30/2017	Current Portion
Notes payable	$ 384,358	$ -	$ (384,358)	**$ -**	$ -
Capital leases payable	140,432	29,950	(35,653)	**134,729**	39,910
OIG settlement payable	84,667	-	(84,667)	**-**	-
Settlement payable	104,000	-	(2,000)	**102,000**	102,000
Total long-term debt	$ 713,457	$ 29,950	$ (506,678)	**$ 236,729**	$ 141,910

	Balance 11/30/2015	Additions	Reductions	Balance 11/30/2016	Current Portion
Notes payable	$ 750,000	$ -	$ (365,642)	$ 384,358	$ 384,358
Capital lease payable	-	173,200	(32,768)	140,432	32,243
OIG settlement payable	292,167	-	(207,500)	84,667	84,667
Settlement payable	110,000	-	(6,000)	104,000	104,000
Total long-term debt	$ 1,152,167	$ 173,200	$ (611,910)	$ 713,457	$ 605,268

Scheduled principal and interest payments on notes payable and future minimum lease payments on capital lease obligations are as follows:

	Capital Leases Payable		Settlement Payable	
Year ending November 30,	**Principal**	**Interest**	**Principal**	**Interest**
2018	$ 39,910	$ 8,449	$ 102,000	$ -
2019	40,802	7,557	-	-
2020	43,938	4,421	-	-
2021	6,303	601	-	-
2022	3,776	251	-	-
	$ 134,729	$ 21,279	$ 102,000	$ -

NOTE 13 – RELATED PARTY DEBT

During the year ended November 30, 2010, the Authority signed a promissory note payable to the Authority's then management company, MGA Health Management, Inc. ("MGA"), which is owned by one of the physicians on staff at the hospital. According to the terms of the note and the amended and restated management agreement that was entered into with MGA, the outstanding principal balance of $2,303,848 was to be paid, along with interest at 7.00%, over 156 months beginning September 1, 2011 and ending August 1, 2024. Along with the scheduled monthly payments, the Authority has made various prepayments on the note, resulting in an outstanding balance of $839,685 and $1,048,455 at November 30, 2017 and 2016, respectively.

A summary of changes in related party debt for the years ended November 30, 2017 and 2016 follows:

	Balance 11/30/2016	Additions	Reductions	Balance 11/30/2017	Current Portion
Related party debt	$ 1,048,455	$ -	$ (208,770)	**$ 839,685**	$ 219,054

	Balance 11/30/2015	Additions	Reductions	Balance 11/30/2016	Current Portion
Related party debt	$ 1,254,578	$ -	$ (206,123)	$ 1,048,455	$ 207,672

Scheduled principal and interest payments to maturity on related party debt are as follows:

Year ending November 30,	Principal	Interest
2018	$ 219,054	$ 51,347
2019	233,896	26,504
2020	250,981	19,419
2021	135,754	2,877
	$ 839,685	$ 100,147

NOTE 14 – DEFINED CONTRIBUTION PLAN

The Authority sponsors the Irwin County Hospital Section 457(b) Deferred Compensation Plan, covering employees with a minimum of 1,000 hours of service annually after 90 days of service. The plan, administered by VALIC Retirement Services Company, allows participants to contribute up to $15,000 per year. The employer is required to contribute a matching payment equal to 50% of the participant's elective deferred contribution subject to a maximum fixed match of 2% of the participant's annual compensation. Employer contributions are vested on a graduated scale and are fully vested after six years of service. Distribution of benefits occurs upon a participant's attainment of age 70½ or upon severance from employment. Employer and participant contributions totaled approximately $79,595 and $160,303, respectively, for the year ended November 30, 2017 and $63,935 and $141,762, respectively, for the year ended November 30, 2016.

NOTE 15 – EMPLOYEE HEALTH INSURANCE

The Authority has a self-insurance program for the purpose of providing group health insurance for Authority employees and their covered dependents. This program was created to minimize the total cost of annual medical insurance to the Authority. Medical costs exceeding $50,000 per covered individual are covered through a private insurance carrier.

The Authority’s self-insurance claims liability at November 30, 2017 and 2016 is based on the requirements of GASB Statement No. 10*, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This statement provides that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the Authority’s claims liability during the years ended November 30, 2017 and 2016 are reflected below.

Years ended November 30,	**2017**	2016
Claims liability, December 1	**$ 141,494**	$ 101,445
Current year claims, admin expense, and changes in estimates	**1,616,840**	1,556,245
Current year claim payments	**(1,074,116)**	(1,207,643)
Employee premiums applied	**(248,399)**	(250,626)
Current year reinsurance proceeds received and receivable	**(207,149)**	(57,927)
Claims liability, November 30	**$ 228,670**	$ 141,494

Expenses totaling $737,895 and $1,622,662 related to the self-insurance program and certain other commercial insurance premiums are included as employee health and welfare expense on the accompanying combined statements of revenues, expenses, and changes in net position for the years ended November 30, 2017 and 2016, respectively.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is involved in various litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that, aside from the matters discussed in Note 18, all items will likely be resolved without material adverse effect on the Authority's future financial position or results from operations.

Operating Leases

The Hospital leases various equipment and facilities under noncancelable lease agreements expiring at various dates through 2024. Rental expense for the years ended November 30, 2017 and 2016 was approximately $460,000 and $363,000, respectively, including approximately $34,000 and $32,000, respectively, of related party expense, discussed further in Note 17. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases. Future minimum rental payments under all noncancelable operating leases are as follows:

Year ending November 30,	**Interest**
2018	$ 182,371
2019	182,371
2020	182,371
2021	182,371
2022	182,371
Thereafter	134,500
	$ 1,046,355

Physician Recruitment

In the normal course of business and in an effort to recruit and retain the most talented physicians, the Authority enters into future services agreements with certain medical students under which the Authority may agree to pay or repay the medicals students' outstanding student loans, and/or provide other incentives or working capital. These agreements require the medical students, upon completion of their schooling, to establish and maintain their practices in the Irwin County area for specific periods of time. Advances under these agreements are structured and secured with promissory notes as loans payable to the Authority from the medical students. Advances are forgiven upon fulfillment of the professional's contractual service commitment, but are due in full, plus interest or other penalty amounts, as specified, if such commitment is not fulfilled. Advances under those arrangements are amortized to expense using the straight-line method over the related commitment period. At November 30, 2017 and 2016, loans receivable from physicians, net of amortization and reserves, totaled approximately $204,000 and $183,000, respectively. At November 30, 2017 and 2016, these balances are included as other current assets on the accompanying statements of net position.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Compliance Plan

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. As part of the OIG settlement agreement discussed in Note 12, the Authority entered into a corporate integrity agreement in 2015, and, as part of this agreement, has implemented a compliance plan focusing on some of these issues. There can be no assurance that the Authority will not be subject to future investigations with accompanying monetary damages.

The Authority has not recognized any agreements as liabilities on the accompanying combined statements of net position if the payment of such has been determined to be unenforceable by legal counsel or contrary to the corporate integrity agreement signed in 2015, as discussed above, or applicable federal and state law. In the unlikely event that any such agreements were challenged and deemed enforceable, the negative impact on the combined financial statements of the Authority could be material.

Healthcare Reform

In March of 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. This Act represents a comprehensive reform of the United States healthcare system and institutes, among other things, many provisions that change payments from Medicare, Medicaid and other insurance companies. The legislation required the establishment of health insurance exchanges which provide individuals without employer-provided healthcare coverage the opportunity to purchase insurance. Reimbursement rates paid by insurers participating in the insurance exchanges are often substantially different than rates paid under previously existing health insurance products.

Another significant component of the PPACA is the extension of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs are being substantially decreased. Each state's participation in an expanded Medicaid program is optional, and the State of Georgia has currently opted not to expand its Medicaid program.

The PPACA is extremely lengthy and complex and has been difficult for the federal government and each state to implement. While the overall, continuing impact of the PPACA cannot currently be estimated, it is likely that it will have a negative impact on the Authority's net patient service revenue for years to come.

NOTE 17 – RELATED PARTY TRANSACTIONS

During the years ended November 30, 2017 and 2016, the Authority rented multiple office spaces from companies owned by one of the physicians on staff at the hospital under lease agreements. For the years ended November 30, 2017 and 2016, expense of approximately $34,000 and $32,000, respectively, related to these leases is reflected in the professional care of patients category of operating expenses in the accompanying combined statements of revenues, expenses, and changes in net position. In addition, $2,848 of payables to related parties under these lease agreements are included in the balance of accounts payable at both November 30, 2017 and 2016.

NOTE 18 – GENERAL AND PROFESSIONAL LIABILITY

The Authority is covered by a claims-made general and professional liability insurance policy with a specified deductible of $50,000 per incident and excess coverage on a claims-made basis. The Authority uses a third party administrator to review and analyze incidents that may result in claims against the Authority. In conjunction with the third party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. Accrued professional claims are included in accrued expenses on the accompanying combined statements of net position and, in management's opinion, provide an adequate reserve for loss contingencies.

Various claims and assertions have been made against the Authority in its normal course of providing healthcare services. To the extent the outcome of such claims and assertions is determined to result in probable loss to the Authority, and the loss is reasonably estimable, such loss is accrued. Accordingly, accruals of approximately $25,000 and $25,000, respectively, are included in accrued expenses on the accompanying combined statements of net position as of November 30, 2017 and 2016, respectively, as provision for deductibles related to outstanding and settled claims. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any.

NOTE 19 – GEORGIA HEART HOSPITAL PROGRAM

In fiscal 2017, the Authority began receiving cash donations through the Georgia HEART hospital program, to which individual and corporate taxpayers may contribute and receive a Georgia income tax credit. As a qualified participating rural hospital, the Authority recognized $215,275 of nonoperating donations income through this program in during the year ended November 30, 2017.

NOTE 20 – BLENDED COMPONENT UNIT

The Irwin County Healthcare Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the Authority, formed in 2017 from donations of a local trust totaling $851,043. Because the Foundation is considered to be a blended component unit, its financial activity, as of its fiscal year end of December 31, is included in the Authority’s financial activity on the accompanying combined financial statements.

NOTE 20 – BLENDED COMPONENT UNIT (CONTINUED)

The condensed financial information for the Authority ("HAIC") as of and for the year ended November 30, 2017 and the Foundation ("IHF") as of and for the year ended December 31, 2017 follows:

Condensed Combining Statement of Net Position:

*November 30, (**December 31,)*	HAIC	IHF**	Total
Assets			
Current assets	$ 3,044,305	$ 554,700	**$ 3,599,005**
Capital assets	5,398,500	-	**5,398,500**
Other assets	208,544	300,560	**509,104**
Total assets	$ 8,651,349	$ 855,260	**$ 9,506,609**
Liabilities and Net Position			
Current liabilities	$ 4,561,943	$ -	**$ 4,561,943**
Long-term liabilities	715,450	-	**715,450**
Total liabilities	5,277,393	-	**5,277,393**
Net Position			
Net investment in capital assets	5,134,320	-	**5,134,320**
Restricted - expendable	4,554	-	**4,554**
Unrestricted deficit	(1,764,918)	855,260	**(909,658)**
Total net position	3,373,956	855,260	**4,229,216**
Total liabilities and net position	$ 8,651,349	$ 855,260	**$ 9,506,609**

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position:

*Year ended November 30, (**December 31,)*	HAIC	IHF**	Total
Operating revenues			
Net patient service revenue	$ 14,866,656	$ -	**$ 14,866,656**
Other operating revenue	220,324	-	**220,324**
Total operating revenues	15,086,980	-	**15,086,980**
Operating expenses			
Depreciation and amortization	390,240	-	**390,240**
Other operating expenses	14,926,475	-	**14,926,475**
Total operating expenses	15,316,715	-	**15,316,715**
Operating income (loss)	(229,735)	-	**(229,735)**
Nonoperating revenues (expenses)			
Investment earnings, net	12,047	4,217	**16,264**
Donations	216,525	851,043	**1,067,568**
Interest expense	(126,843)	-	**(126,843)**
Total nonoperating revenues	101,729	855,260	**956,989**
Increase (decrease) in net position	(128,006)	855,260	**727,254**
Net position - beginning of year	3,501,962	-	**3,501,962**
Net position - end of year	$ 3,373,956	$ 855,260	**$ 4,229,216**

NOTE 20 – BLENDED COMPONENT UNIT (CONTINUED)

Condensed Combining Statement of Cash Flows:

*Year ended November 30, (**December 31,)*	HAIC	IHF**	Total
Net cash provided by (used in):			
Operating activities	$ 633,870	$ -	**$ 633,870**
Non-capital financing activities	(529,700)	41,765	**(487,935)**
Capital and related financing	(117,310)	-	**(117,310)**
Investing activities	12,047	112	**12,159**
Net increase in cash and cash equivalents	(1,093)	41,877	**40,784**
Cash and cash equivalents - beginning of year	164,835	**-**	**164,835**
Cash and cash equivalents - end of year	$ 163,742	$ 41,877	**$ 205,619**

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INDEPENDENT AUDITORS' 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
Hospital Authority of Irwin County
Ocilla, 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 combined financial statements of the Hospital Authority of Irwin County (the "Authority"), as of and for the year ended November 30, 2017, and the related notes to the combined financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 2017-1 through 2017-6 in the accompanying schedule of findings and responses to be material weaknesses.

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. We consider the deficiency described in finding 2017-7 in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined 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.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

September 4, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	None Reported

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES

Material Weaknesses:

2017 – 1 Accrual Basis Accounting (Repeat)

Criteria: Generally accepted accounting principles require that financial statements be prepared on the accrual basis of accounting. Under the accrual basis, all revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of cash flows.

Condition and Effect: Various assets and liabilities were omitted from the ledger at November 30, 2017, and other accounts were misstated or not fully reconciled, resulting in the posting of significant adjusting journal entries to correctly state the accounts. The entries included the adjustment of cash, receivables, prepaid and other asset balances; accruals for health insurance claims payable, payroll, and other liabilities; debt; intercompany receivables and payables; and certain other amounts due to third parties.

Recommendation: We recommend the Authority ensure appropriate measures are taken to accrue for assets and liabilities, most notably those recurring items that require adjusting via manual journal entries, and reconcile all subsidiary ledgers to the general ledger prior to month and year-end close.

Management's Response: The Authority has implemented a full accrual basis of accounting and has taken measures to ensure staff is educated and has the appropriate resources to maintain an effective accounting system.

2017 – 2 Reconciliation of Cash and Posting of Receipts to Patient Accounts Receivable (Repeat)

Criteria: Internal controls should be in place to ensure that all cash transactions are properly and timely recorded by the Authority.

Condition and Effect: We noted significant balances of unmatched cash receipts, primarily related to patient accounts receivable. Such amounts generally result when a cash payment is received from a third party insurer on a patient's behalf but has not yet been posted to the patient's balance on the accounts receivable subledger – often due to insufficient or pending remittance information accompanying the payment. While a certain level of remittance matching issues is expected, it is critical that the balance of these unmatched amounts be monitored and managed – via investigation and resolution – to ensure that the patient accounts receivable detail subledger remains materially accurate.

Recommendation: Bank reconciliations should be prepared and reviewed on a regular basis, and any identified variances or differences should be investigated and resolved in a timely manner. Cash controls should be strengthened to protect from misappropriation or other loss. Cash receipts related to patient accounts should be matched and posted to the appropriate accounts receivable subledger upon receipt, or, if remittance information is not sufficient to enable account identification, investigated and resolved in as timely a manner as possible.

Management's Response: As in previous years the Authority utilized the services of an outside vendor for billing, collecting, and posting. Ongoing problems with posting continued in 2017. In 2018, the contract was ended, and those duties were brought into ERH's centralized business office.

2017 – 3 Accounts Receivable and Reserves for Uncollectible Accounts (Repeat)

Criteria: Generally accepted accounting principles require that accounts receivable be presented net of a provision for uncollectible accounts receivables, based on management's assessment of collectability.

Condition and Effect: Management's policy is to calculate contractual and uncollectible reserves by applying reserve percentages, based on collections history, to the various payer buckets of gross accounts receivable ("AR"). However, during our audit procedures, it was noted that the total of the gross AR used in these analyses did not agree to the total of the related AR subledger or general ledger account. Such discrepancies erode the meaningfulness of the reserve calculations and resulting recorded amounts and may result in material misstatements of net patient accounts receivable.

Other AR related matters for consideration included significant balances of unmatched receivables (discussed in finding 2017-2 above); variances between AR subledgers and general ledger balances; and significant balances of credit (negative) accounts on the Authority's AR subledgers.

Recommendation: To preserve the integrity of its reserve methodology and calculations, the Authority should verify that the AR detail and summary reports used to derive the aging and payor categories to which reserve percentages are applied agree, in total, to the related AR balance per general ledger. Moreover, to ensure that such AR details closely reflect the true payer mix and gross AR position of the Authority, procedures should be implemented to investigate and resolve credit balances and unmatched receivables. In addition, to ensure that such receivables are adequately reserved to their estimated net realizable value, reserve percentages should be updated based on a lookback analysis covering a sufficiently long (yet current) lookback period that encompasses the constantly evolving nature of payer mixes and payment rates.

Management's Response: Adjustments related to nursing home and physician office accounts receivable were made during the audit. Management will study the causes for these adjustments and modify calculations accordingly.

2017 – 4 Capital Assets and Depreciation (Repeat)

Criteria: Generally accepted accounting principles require the Authority to report the cost of capital assets and accumulated depreciation by asset class and annual depreciation by function.

Condition and Effect: We noted variances between the Authority's capital asset registers and general ledgers, as well as capital assets that were not recorded, or inappropriately recorded, on the Authority's capital asset registers, general ledgers, or both. As a result, adjusting entries were required to capital asset balances and yearly depreciation expense totals.

Recommendation: We recommend the Authority implement appropriate measures to ensure that all capital assets are captured and appropriately classified, maintained, and depreciated on the capital asset register, and that the capital asset register is reconciled to the general ledger on a regular basis and any differences that are identified are followed up on and resolved.

Management's Response: During fiscal year 2017, the Authority did utilize the CPSI system for calculating depreciation of its assets. Some adjustments were still needed. Management will evaluate the causes of the adjustments and modify accordingly.

2017 – 5 Segregation of Duties and Staffing (Repeat)

Criteria: Ideally, duties should be segregated between employees so that the responsibilities for authorizing transactions, initiating transactions, recording transactions and maintaining custody of assets are assigned to different personnel. An appropriate level of management oversight should be applied to all transactions.

Condition and Effect: During our audit, we noted that the Authority's internal control structure during the fiscal year did not contain adequate safeguarding controls via segregation of duties that would provide for the prevention or timely detection of unauthorized transactions and/or unauthorized access to assets that could result in losses that are material to the financial statements. Moreover, staffing levels were not sufficient to allow for the implementation of adequate controls.

Recommendation: Duties for authorizing transactions, initiating and recording transactions, and maintaining custody of assets should be segregated whenever possible, and staffing levels should be increased (as funds allow) to enable such separation of duties. The Authority should ensure that an appropriate level of management oversight (at least one level of management above the preparer) is in place to monitor and review transactions, particularly manual journal entries.

Management's Response: Management has implemented policies that reflect on the proper authorization and segregation of duties for the Authority's assets. Internal controls have been scrutinized across the organization. Where it is not possible to segregate certain duties due to the smaller staffing levels, additional safeguards are put into place for a check and balance of that transaction.

2017 – 6 <u>Information Technology</u> (Partial Repeat)

Criteria: Robust information technology ("IT") controls should be in place to protect the Authority's network and data.

Condition, Effect, Recommendation: During the audit, we noted that Windows XP workstations are utilized by the entity on 25 of its workstations even though Microsoft stopped supporting it in April 2014.
Additionally, ACH transactions can be completed by either of two authorized employees, without the need for additional approval. We strongly recommend that the duties of preparing and transmitting the ACH be separated among at least two individuals, so that no one person is able to complete an ACH transaction alone, without the need for additional approval. We strongly recommend upgrading to an operating system that is supported by Windows.

Management's Response: Current IT infrastructure cannot accommodate needed changes to have the systems operate efficiently and succinctly. Management has mapped out a phase in plan to bring the infrastructure up to speed as funds become available.

Significant Deficiency:

2017 – 7 **Charity and Indigent Care**

Criteria: Charity and Indigent Care write-offs should be calculated, recorded, and properly supported with appropriately written documentation, in accordance with the Authority's financial assistance policy and Medicare and other requirements.

Condition, Effect: During our audit procedures, we noted instances in which certain charity and indigent care write-offs were calculated or recorded in a manner that did not agree to the Authority's written financial assistance policy. In addition, certain write-offs, in many cases very small balances, did not appear to have adequate supporting documentation.

Recommendation: We recommend the Authority review its processes and controls related to charity and indigent care write-offs to ensure that proper written documentation is maintained for all charity and indigent write-offs, and that such write-offs are calculated properly and in accordance with the written policy. Additionally, we recommend that the Authority specify a 'de minimus' provision in its financial assistance policy to address the write-off of small amounts.

Management's Response: Management will review the current Charity and Indigent Care Policy and make any adjustments to the corresponding processes and controls as necessary. We will implement changes to ensure that proper administration is followed and carried out in a manner consistent with the written policy.

*November 30, 2017 (**December 31, 2017)*	Irwin County Hospital (ICH)	Palemon Gaskins Nursing Home (PGNH)	Irwin County Healthcare Foundation (IHF)**	Eliminating Entries	Hospital Authority of of Irwin County
Assets					
Current assets					
Cash and cash equivalents	$ 66,798	$ 79,096	$ 41,877	$ -	**$ 187,771**
Restricted cash and cash equivalents	-	13,294	-	-	**13,294**
Patient accounts receivable, net of estimated uncollectibles of $5,077,743 and $270,279 for ICH and PGNH, respectively	1,636,015	210,107	-	-	**1,846,122**
Investments, at fair value	-	-	510,265	-	**510,265**
Estimated third party payer settlements	1,164	-		-	**1,164**
Intercompany balances	(2,090,837)	2,090,837	-	-	**-**
Supplies and inventories	256,823	-	-	-	**256,823**
Other current assets	598,799	182,209	2,558	-	**783,566**
Total current assets	468,762	2,575,543	554,700	-	**3,599,005**
Capital assets					
Nondepreciable	127,812	55,000	-	-	**182,812**
Depreciable, net of accumulated depreciation	5,064,153	151,535	-	-	**5,215,688**
Total capital assets, net	5,191,965	206,535	-	-	**5,398,500**
Other assets					
Restricted cash and cash equivalents	4,554	-	-	-	**4,554**
Investments, at fair value	-	-	300,560	-	**300,560**
Other assets	203,990	-	-	-	**203,990**
Total other assets	208,544	-	300,560	-	**509,104**
Total assets	$ 5,869,271	$ 2,782,078	$ 855,260	$ -	**$ 9,506,609**

- Continued -

*November 30, 2017 (**December 31, 2017)*	Irwin County Hospital (ICH)	Palemon Gaskins Nursing Home (PGNH)	Irwin County Healthcare Foundation (IHF)**	Eliminating Entries	Hospital Authority of of Irwin County
Liabilities and Net Position					
Current liabilities					
Accounts payable	$ 2,437,115	$ 419,791	$ -	$ -	**$ 2,856,906**
Accrued expenses	909,861	95,699	-	-	**1,005,560**
Estimated third party payer settlements	-	-	-	-	**-**
Short-term debt	325,219	-	-	-	**325,219**
Current portion of long-term debt	131,677	10,233	-	-	**141,910**
Current portion of related party debt	219,054	-	-	-	**219,054**
Trust funds payable from restricted assets	-	13,294	-	-	**13,294**
Total current liabilities	4,022,926	539,017	-	-	**4,561,943**
Long-term liabilities					
Long-term debt, net	72,681	22,138	-	-	**94,819**
Related party debt, net	620,631	-	-	-	**620,631**
Total long-term liabilities	693,312	22,138	-	-	**715,450**
Total liabilities	4,716,238	561,155	-	-	**5,277,393**
Net position (deficit)					
Net investment in capital assets	4,973,936	160,384	-	-	**5,134,320**
Restricted - expendable	4,554	-	-	-	**4,554**
Unrestricted (deficit)	(3,825,457)	2,060,539	855,260	-	**(909,658)**
Total net position	1,153,033	2,220,923	855,260	-	**4,229,216**
Total liabilities and net position	$ 5,869,271	$ 2,782,078	$ 855,260	$ -	**$ 9,506,609**

See accompanying independent auditors' report.

November 30, 2016	Irwin County Hospital (ICH)	Palemon Gaskins Nursing Home (PGNH)	Eliminating Entries	Hospital Authority of Irwin County
Assets				
Current assets				
Cash and cash equivalents	$ 128,436	$ 23,241	$ -	**$ 151,677**
Restricted cash and cash equivalents	-	8,604	-	**8,604**
Patient accounts receivable, net of estimated uncollectibles of $5,769,213 and $270,279 for ICH and PGNH, respectively	1,449,397	318,392	-	**1,767,789**
Intercompany balances	(1,309,115)	1,309,115	-	**-**
Supplies and inventories	243,099	-	-	**243,099**
Other current assets	532,289	126,369	-	**658,658**
Total current assets	1,044,106	1,785,721	-	**2,829,827**
Capital assets				
Nondepreciable	138,901	55,000	-	**193,901**
Depreciable, net of accumulated depreciation	5,234,427	142,232	-	**5,376,659**
Total capital assets, net	5,373,328	197,232	-	**5,570,560**
Other assets				
Restricted cash and cash equivalents	4,554	-	-	**4,554**
Other assets	182,990	-	-	**182,990**
Total other assets	187,544	-	-	**187,544**
Total assets	$ 6,604,978	$ 1,982,953	$ -	**$ 8,587,931**

- Continued -

See accompanying independent auditors' report.

Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)
Combining Statement of Net Position

November 30, 2016	Irwin County Hospital (ICH)	Palemon Gaskins Nursing Home (PGNH)	Eliminating Entries	Hospital Authority of Irwin County
Liabilities and Net Position				
Current liabilities				
Accounts payable	$ 1,888,518	$ 323,363	$ -	**$ 2,211,881**
Accrued expenses	734,258	146,573	-	**880,831**
Estimated third party payer settlements	76,357	(5,081)	-	**71,276**
Short-term debt	151,465	-	-	**151,465**
Current portion of long-term debt	595,501	9,767	-	**605,268**
Current portion of related party debt	207,672	-	-	**207,672**
Trust funds payable from restricted assets	-	8,604	-	**8,604**
Total current liabilities	3,653,771	483,226	-	**4,136,997**
Long-term liabilities				
Long-term debt, net	75,282	32,907	-	**108,189**
Related party debt, net	840,783	-	-	**840,783**
Total long-term liabilities	916,065	32,907	-	**948,972**
Total liabilities	4,569,836	516,133	-	**5,085,969**
Net position (deficit)				
Net investment in capital assets	5,275,570	154,558	-	**5,430,128**
Restricted - expendable	4,554	-	-	**4,554**
Unrestricted (deficit)	(3,244,982)	1,312,262	-	**(1,932,720)**
Total net position	2,035,142	1,466,820	-	**3,501,962**
Total liabilities and net position	$ 6,604,978	$ 1,982,953	$ -	**$ 8,587,931**

See accompanying independent auditors' report.

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the year ended November 30, 2017 ***December 31, 2017*	Irwin County Hospital (ICH)	Palemon Gaskins Nursing Home (PGNH)	Irwin County Healthcare Foundation (IHF)**	Eliminating Entries	Hospital Authority of of Irwin County
Operating Revenues					
Net patient service revenue (net of provision for bad debts of $3,665,317 for ICH and $121,284 for PGNH)	$ 12,391,804	$ 2,474,852	$ -	$ -	**$ 14,866,656**
Other operating revenue	448,694	-	-	(228,370)	**220,324**
Total operating revenues	12,840,498	2,474,852	-	(228,370)	**15,086,980**
Operating Expenses					
Professional care of patients	8,134,338	812,677	-	-	**8,947,015**
Dietary services	557,056	241,192	-	(228,370)	**569,878**
General services	763,926	132,164	-	-	**896,090**
Administrative services	2,762,049	346,859	-	-	**3,108,908**
Employee health and welfare	1,233,926	170,658	-	-	**1,404,584**
Depreciation and amortization	372,023	18,217	-	-	**390,240**
Total operating expenses	13,823,318	1,721,767	-	(228,370)	**15,316,715**
Operating income (loss)	(982,820)	753,085	-	-	**(229,735)**
Nonoperating Revenues (Expenses)					
Investment earnings, net	8,483	3,564	4,217	-	**16,264**
Donations	216,525	-	851,043	-	**1,067,568**
Other income	-	-	-	-	**-**
Gain of disposal of assets	-	-	-	-	**-**
Interest expense	(124,297)	(2,546)	-	-	**(126,843)**
Total nonoperating revenues (expenses)	100,711	1,018	855,260	-	**956,989**
Increase (Decrease) in Net Position	(882,109)	754,103	855,260	-	**727,254**
Net Position, beginning of year	2,035,142	1,466,820	-	-	**3,501,962**
Net Position, end of year	$ 1,153,033	$ 2,220,923	$ 855,260	$ -	**$ 4,229,216**

See accompanying independent auditors' report.

Hospital Authority of Irwin County
(A Component Unit of Irwin County, Georgia)
Combining Statement of Revenues, Expenses, and Changes in Net Position

For the year ended November 30, 2016	Irwin County Hospital (ICH)	Palemon Gaskins Nursing Home (PGNH)	Eliminating Entries	Hospital Authority of Irwin County
Operating Revenues				
Net patient service revenue (net of provision for bad debts of $3,585,947 for ICH and $287,941 for PGNH)	$ 12,786,458	$ 2,174,744	$ -	**$ 14,961,202**
Other operating revenue	330,124	4,426	(226,021)	**108,529**
Total operating revenues	13,116,582	2,179,170	(226,021)	**15,069,731**
Operating Expenses				
Professional care of patients	7,540,607	914,787	-	**8,455,394**
Dietary services	506,330	242,230	(226,021)	**522,539**
General services	691,715	116,187	-	**807,902**
Administrative services	2,481,872	339,596	-	**2,821,468**
Employee health and welfare	1,986,249	204,355	-	**2,190,604**
Depreciation and amortization	399,516	15,609	-	**415,125**
Total operating expenses	13,606,289	1,832,764	(226,021)	**15,213,032**
Operating income (loss)	(489,707)	346,406	-	**(143,301)**
Nonoperating Revenues (Expenses)				
Interest income	4,128	3,125	-	**7,253**
Other income	36,058	-	-	**36,058**
Gain of disposal of assets	7,000	-	-	**7,000**
Interest expense	(146,172)	(2,939)	-	**(149,111)**
Total nonoperating revenues (expenses)	(98,986)	186	-	**(98,800)**
Increase (Decrease) in Net Position	(588,693)	346,592	-	**(242,101)**
Net Position, beginning of year	2,623,835	1,120,228	-	**3,744,063**
Net Position, end of year	$ 2,035,142	$ 1,466,820	$ -	**$ 3,501,962**

See accompanying independent auditors' report.

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September 4, 2018

To the Board of Directors and Management of
The Hospital Authority of Irwin County

Dear Board of Directors and Management:

We are pleased to present the results of our audit of the 2017 combined financial statements of the Hospital Authority of Irwin County (the "Authority").

This report to the Board of Directors (the "Board") and Management summarizes our audit, the reports issued, and various analyses and observations related to the Authority's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Authority's 2017 combined financial statements. We considered the Hospital's current and emerging business needs, along with an assessment of risks that could materially affect the combined financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board and Management, expect. We received the full support and assistance of the Authority's personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board and Management and others within the Authority and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 334-348-1325 or bhall@cricpa.com.

Very truly yours,

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

As communicated with Management and the Board of Directors during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Authority's combined financial statements. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, in order to express an opinion on the Authority's financial statements for the year ended November 30, 2017;
- Obtain an understanding of internal control over financial reporting sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed;
- Communicate directly with the Board and Management regarding the results of our procedures;
- Address with the Board and Management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board and Management; and
- Address other audit-related projects as they arise and upon request.

We have audited the financial statements of the Hospital Authority of Irwin County (the "Authority") for the year ended November 30, 2017 and have issued our report thereon dated September 4, 2018. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing and Standards and Governmental Auditing Standards	As stated in our engagement letter dated September 7, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or Management of your responsibilities. As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Authority's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.*	The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted that significantly impacted the combined financial statements or disclosures. We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
• *Critical accounting policies and practices applied by the Authority in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	Please see Note 1 to the combined financial statements.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality".
Corrected and Uncorrected Misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Authority, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	Please see the following section titled "Summary of Audit Adjustments".

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Hospital and how they are disclosed.*	No such risks or exposures were noted other than those disclosed in the notes to the combined financial statements and those discussed in the "Schedule of Findings and Responses" section of the combined financial statements.
Material uncertainties related to events and conditions, specifically going concern issues *Any doubt regarding the Authority's ability to continue as a going concern (if extended procedures, communicate results), and any other material uncertainties.*	Please see the "other matters" section that follows.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents containing the combined financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the consolidated financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited combined financial statements.
Financial statement disclosures *Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.*	The consolidated financial statement disclosures are neutral, consistent, and clear. Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality" for description of disclosures identified as sensitive.
Disagreements with management *Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Hospital's financial statements or the auditor's report.*	None.
Management consultation with other independent accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.
Difficulties encountered in performing the audit *Serious difficulties encountered in dealing with management that relate to the performance of the audit.*	None.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Deficiencies in internal control *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	Please see the internal control report and findings included in the compliance section of the financial statements.
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any material fraud or illegal acts involving management or causing material misstatement of the combined financial statements.
Other material written communications • *Management representation letter* • *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*	Please see the following section titled "Management Representation Letter". Please see the internal control report, dated September 4, 2018, included in the compliance section of the financial statements.
Other matters *Communication of other pertinent matters.*	*Going Concern* Our professional standards require us, as your financial statement auditors, to consider items that may potentially impact or cast "substantial doubt"

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
	on the Authority's ability to continue as a going concern for a reasonable period of time, not to exceed one year from the date of the financial statements. As discussed with management, there were various negative trends and indicators at November 30, 2017 that prompted these considerations that we would like to communicate to you, including significant operating and net losses, negative working capital, and liquidity concerns. Ultimately, management determined, and we agreed, that there were not sufficient mitigating factors to alleviate substantial doubt about the Authority's ability to continue as a going concern. As a result, an emphasis of matter paragraph was added to the fiscal year 2017 auditors' report and going concern disclosures have been added to the notes to the combined financial statements.

We are required to communicate our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Allowance for Uncollectible Accounts	Patient accounts receivable are carried at the gross amount outstanding, net of allowances for uncollectible amounts. This policy is described fully in the notes to the combined financial statements.	Management's estimate of the allowance for uncollectible accounts is based on assessments of the ultimate collectability of patient charges and the overall creditworthiness of insurers and uninsured patients.	We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole (after our audit adjustments).
Allowance for Contractual Deductions/Net Patient Revenue	Patient accounts receivable for insured patients are carried at the gross amount outstanding, net of allowances for contractual deductions. This policy is described fully in the notes to the combined financial statements.	Management's estimate of the allowance for contractual deductions and the presentation of net patient revenue are based on assessments and understanding of payment arrangements with third party payers and consideration of current realizable amounts of charges to these payers.	We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole. Management's presentation of net patient service revenue at net realizable amounts and estimation of related contractual allowances and discounts appeared appropriate and properly applied (after our audit adjustments).

AREA	ACCOUNTING POLICY	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Due to/from Third Party Payers including Medicare cost report receivables	Estimated amounts of potential settlements due to or from third party insurers are recorded on the combined financial statements. The Medicare cost report receivable (payable) has been recorded based on the as-filed cost report. A reserve also still remains for open years, as they have not yet been final settled.	Management's estimate of the reserve (or receivable) for amounts due to/from third party payers is based on an assessment of potential settlements of current and prior year cost reports in future periods, based in large part on recent experience and information gathered from the audits of previous cost reports.	We evaluated the key factors and assumptions used to estimate the liabilities (or receivables) in determining that it is reasonable in relation to the financial statements taken as a whole (after our audit adjustments).
Reserve for Self-Insurance and Other Exposures including Malpractice and Workers Comp	The provisions for estimated medical malpractice claims and claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported. Liabilities for claims are recorded when information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.	The Authority is exposed to various risks of loss for which it is at least partially self-insured, including the costs of employee health claims. Management's estimate of any necessary reserve is based on their assessment of current exposures and communications with insurers and legal counsel.	We evaluated the key factors and assumptions used to develop the reserve in determining that it is reasonable in relation to the financial statements taken as a whole.

During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected).

We noted adjustments, both corrected and uncorrected, discovered as a result of our audit procedures. We have attached a listing of these adjustments to this communication document, for your consideration. See the following section titled "Corrected and Uncorrected Audit Adjustments"

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Corrected audit adjustments were as follows:

ICH Adjusting Journal Entries JE # 101			
To adjust opening net position balance.			
20700000-1	FUND BALANCE - FUND BAL	112.00	
40900085-1	OTHER EXPENSES -ADMIN		112.00
Total		**112.00**	**112.00**

ICH Adjusting Journal Entries JE # 102			
To adjust accumulated depreciation.			
10580000-1	ACCUMULATED DEPR -FXD ASSET	5,142.00	
60010000-1	DEPRECIATIONEXPENSE-OTHER EXP		5,142.00
Total		**5,142.00**	**5,142.00**

ICH Adjusting Journal Entries JE # 103			
To adjust cost report reserves.			
20330000-1	ACCT PY/DUE TO MCARE-OTHR LIAB	167,805.00	
50510000-1	MCAID/INPATIENT -C/A	78,839.00	
20331000-1	ACCT PY/DUE TO MCAID-OTHR LIAB		78,839.00
50500000-1	MCARE/INPATIENT -C/A		167,805.00
Total		**246,644.00**	**246,644.00**

ICH Adjusting Journal Entries JE # 104			
To eliminate remaining Frontier & OIG balances.			
20050000-1	FRONTIER- CURRENT PORTION	4.00	
60050000-1	INTEREST EXPENSE -OTHER EXP	2,000.00	
20435000-1	ACCT PAYABLE/SETTLEMENT		2,000.00
60050000-1	INTEREST EXPENSE -OTHER EXP		4.00
Total		**2,004.00**	**2,004.00**

ICH Adjusting Journal Entries JE # 105			
To offset MMM payment against settlement liability.			
20130000-1	MORRIS,MANNING,MARTIN SETTLEME	2,000.00	
60093000-1	LEGAL SETTLEMENT		2,000.00
Total		**2,000.00**	**2,000.00**

ICH Adjusting Journal Entries JE # 106			
To apply recoupment against accrued liability.			
20370000-1	ACCRUED RENTPAYABLE-OTHR LIAB	9,192.00	
50510000-1	MCAID/INPATIENT -C/A		9,192.00
Total		**9,192.00**	**9,192.00**

ICH Adjusting Journal Entries JE # 107			
To adjust MGA note balance.			
20120000-1	LOAN PYBL/NOTE PYBL-MGA	28,625.00	
20000000-1	ACCOUNTS PAYABLE -ACCT PYBL		22,533.00
60050000-1	INTEREST EXPENSE -OTHER EXP		6,092.00
Total		**28,625.00**	**28,625.00**

ICH Adjusting Journal Entries JE # 108			
To adjust IPFS note balance at 11/30/17.			
20102000-1	NOTES PAYABLES - MALPR INS	14,275.00	
60050000-1	INTEREST EXPENSE -OTHER EXP	496.00	
10350000-1	INSURANCE - PREPAID		6,901.00
60020000-1	INS/MALPRACTICE LIAB-OTHER EXP		7,870.00
Total		**14,771.00**	**14,771.00**

ICH Adjusting Journal Entries JE # 109			
To adjust property insurance note payable.			
20103000-1	NOTE PAYABLE - PROPERTY INS	38,425.00	
10350000-1	INSURANCE - PREPAID		9,228.00
20102500-1	PROPERTY INSPAYABLE		18,124.00
60026000-1	INS/PROPERTY - OTHER EXP		11,073.00
Total		**38,425.00**	**38,425.00**

ICH Adjusting Journal Entries JE # 110			
To adjust intercompany balances.			
10350000-1	INSURANCE - PREPAID	13,706.00	
20125000-1	LOAN PYBL/PGNRSG HM-NOTE PYBL	134,906.00	
10250000-1	PGNH - ACCTS REC		4,666.00
40510078-1	UTILITIES - ENGINEER		30,000.00
60028000-1	INS/EMP BENEFITS -OTHER EXP		113,946.00
Total		**148,612.00**	**148,612.00**

ICH Adjusting Journal Entries JE # 111			
To increase reserve for self-insurance payable.			
60028000-1	INS/EMP BENEFITS -OTHER EXP	87,176.00	
20350000-1	ACCRUED HLTHCLAIMS -OTHR LIAB		87,176.00
Total		**87,176.00**	**87,176.00**

ICH Adjusting Journal Entries JE # 112			
To record reinsurance receivable.			
CRI26-1	REINSURANCE RECEIVABLE	116,129.00	
60028000-1	INS/EMP BENEFITS -OTHER EXP		116,129.00
Total		**116,129.00**	**116,129.00**

ICH Adjusting Journal Entries JE # 113
To record self-insurance surplus.

CRI 27-1	SELF-INSURED SURPLUS	71,519.00	
60028000-1	INS/EMP BENEFITS -OTHER EXP		71,519.00
Total		**71,519.00**	**71,519.00**

ICH Adjusting Journal Entries JE # 114
To write-down clinic gross AR.

10200003-1	RECEIVABLES -CARGILE DR OFFIC	1,545.00	
CRI31-1	PHYSICIAN AR ADJ (TBD)	106,165.00	
10200001-1	RECEIVABLES -DR. MCMAHAN		8,877.00
10200002-1	RECEIVABLES -DR. URSAL		15,240.00
10200004-1	RECEIVABLES - DR. TANNER		17,543.00
10200005-1	RECEIVABLES -WILLACHOOCHEE DR		9,183.00
10200009-1	RECEIVABLES -K EVANS		30,640.00
CRI30-1	PHYSICIAN OFFICE UNAPPLIED RECEIPTS		26,227.00
10000000-1	AMERIS - CASH		
10200003-1	RECEIVABLES -CARGILE DR OFFIC		
Total		**107,710.00**	**107,710.00**

ICH Adjusting Journal Entries JE # 115
To accrue November GA Heart donations received 12/1/17.

CRI29-1	GA HEART DONATIONS RECEIVABLE	38,886.00	
50120000-1	DONATION -OTHER REV		38,886.00
Total		**38,886.00**	**38,886.00**

ICH Adjusting Journal Entries JE # 116
To allocate laundry fees (33% per poundage split, based on cost report) to PGNH.

20125000-1	LOAN PYBL/PGNRSG HM-NOTE PYBL	23,235.00	
40300080-1	FEES -LAUNDRY		23,235.00
Total		**23,235.00**	**23,235.00**

ICH Adjusting Journal Entries JE # 117
To write down DSH receivable to actual.

50130000-1	DISPRO SHARE - OTHER REV	143,186.00	
10122000-1	DISP SHARE QTR PAYMT-OTHER REC		143,186.00
Total		**143,186.00**	**143,186.00**

ICH Adjusting Journal Entries JE # 118
To adjust payroll accrual, most notably for the 100% accrual of McMahan bonus.

40000199-1	REGULAR WAGES - DR. MCMAHA OFF	4,286.00	
40000199-1	REGULAR WAGES - DR. MCMAHA OFF	25,541.00	
40000199-1	REGULAR WAGES - DR. MCMAHA OFF	342.00	

40060001-1	PAID TIME OFF - NRSG ADMN	1,925.00	
20200000-1	ACCR REGULARWAGES -PYRL/BENF		21,708.00
40000001-1	REGULAR WAGES - NRSG ADMN		1,147.00
40000006-1	REGULAR WAGES - NURSERY		1,309.00
40000010-1	REGULAR WAGES - OPER ROOM		1,694.00
40000086-1	REGULAR WAGES - ACCTNG		1,096.00
40000499-1	REGULAR WAGES - TANNERGÇÖS OFFICE		3,298.00
40001002-1	REG WAGES/RN - RTN SVCS		1,842.00
Total		**32,094.00**	**32,094.00**

ICH Adjusting Journal Entries JE # 119
To clear out Meritain WH account to insurance expense.

60028000-1	INS/EMP BENEFITS -OTHER EXP	15,125.00	
20430010-1	A/P MERITAIN - PYRL INS		15,125.00
Total		**15,125.00**	**15,125.00**

ICH Adjusting Journal Entries JE # 120
To accrue pre-judgment interest and attorney fees related to the Southland judgement.

40750085-1	LEGAL - ADMIN	22,418.00	
60050000-1	INTEREST EXPENSE -OTHER EXP	25,229.00	
20000001-1	ACCRUED ACCOUNTS PAYABLES		22,418.00
20360000-1	ACCRUED INT PAYABLE -OTHR LIAB		25,229.00
Total		**47,647.00**	**47,647.00**

ICH Adjusting Journal Entries JE # 121
To release Meritain liability from accrued AP (already provisioned for in self-insurance accrual).

20000001-1	ACCRUED ACCOUNTS PAYABLES	150,000.00	
60028000-1	INS/EMP BENEFITS -OTHER EXP		150,000.00
Total		**150,000.00**	**150,000.00**

ICH Adjusting Journal Entries JE # 122
To adjust provider tax expense.

20333000-1	A/P DUE TO PROVIDER TAX	10,968.00	
40960085-1	MEDICAID PROVIDER TAX FEE - AD		10,968.00
Total		**10,968.00**	**10,968.00**

ICH Adjusting Journal Entries JE # 123
To remove Meritain payroll WHs from AP detail.

20000000-1	ACCOUNTS PAYABLE -ACCT PYBL	14,275.00	
60028000-1	INS/EMP BENEFITS -OTHER EXP		14,275.00
Total		**14,275.00**	**14,275.00**

ICH Adjusting Journal Entries JE # 124			
To fully reserve for employee Meritain AR and reclass already reserved portion to insurance expense.			
60028000-1	INS/EMP BENEFITS -OTHER EXP	73,919.00	
10105000-1	CONTRACTUALS - ALLOWANCE		25,813.00
50515000-1	MCAID/OUTPATIENT -C/A		393.00
50517000-1	CMO OUTPATIENT -C/A		47,713.00
Total		**73,919.00**	**73,919.00**

ICH Adjusting Journal Entries JE # 125			
To reclass capital leases as operating.			
20636005-1	LEASE PAYABLE - US	13,101.00	
40600042-1	LEASE/RENTAL - RADIOLOGY	100,294.00	
10528000-1	MAJ MOVEABLEEQUIP -FXD ASSET		102,306.00
10558005-1	CIP/EQUIPMENT		11,089.00
Total		**113,395.00**	**113,395.00**

ICH Adjusting Journal Entries JE # 126			
To remove old mammo machine.			
10580000-1	ACCUMULATED DEPR -FXD ASSET	507,326.00	
10528000-1	MAJ MOVEABLEEQUIP -FXD ASSET		507,326.00
Total		**507,326.00**	**507,326.00**

ICH Adjusting Journal Entries JE # 127			
To reclass CY additions.			
10506000-1	BUILDING IMPROVEMENT-FXD ASSET	140,459.00	
10506000-1	BUILDING IMPROVEMENT-FXD ASSET	14,100.00	
10528000-1	MAJ MOVEABLEEQUIP -FXD ASSET	29,950.00	
10522000-1	EQUIP/BLDG REPAIRS -FXD ASSET		170,409.00
10528000-1	MAJ MOVEABLEEQUIP -FXD ASSET		14,100.00
Total		**184,509.00**	**184,509.00**

ICH Adjusting Journal Entries JE # 128			
PBC - To accrue additional lab fees due to DMC.			
40300030-1	FEES - LAB	91,292.00	
20000001-1	ACCRUED ACCOUNTS PAYABLES		91,292.00
Total		**91,292.00**	**91,292.00**

PGNH Adjusting Journal Entries JE # 101			
To eliminate Medicare receivable balance.			
60066000-2	OTHER EXPENSEUNASSIGNED	7,773.00	
20213000-2	MEDICARE REMITTANCE ADJUSTMENT		7,773.00
Total		**7,773.00**	**7,773.00**

PGNH Adjusting Journal Entries JE # 102			
To balance intercompany rev & expense.			
40000070-2	REGUALR/DIETARY	653.00	
40200070-2	SUPPLIES & EXP -DIETARY	19,000.00	
40200030-2	DRUG SUPPLY EXP -PHARMACY		19,000.00
40200070-2	SUPPLIES & EXP -DIETARY		653.00
Total		**19,653.00**	**19,653.00**

PGNH Adjusting Journal Entries JE # 103			
To allocate laundry (33% per poundage split, based on cost report) to PGNH.			
40200075-2	SUPPLIES & EXP -LAUNDRY	23,235.00	
10202000-2	HOSPITAL - ACCTS REC		23,235.00
Total		**23,235.00**	**23,235.00**

PGNH Adjusting Journal Entries JE # 104			
To adjust PTO accrual for April entry never reversed.			
20350000-2	ACCRUED VACATION -PYRL/BENF	20,258.00	
40060080-2	PAID TIME OFF/HSKP		808.00
40060090-2	PAID TIME OFF/ADMIN		9,815.00
40061001-2	PAID TIME OFF/RN		4,504.00
40062001-2	PAID TIME OFF/LPN		3,700.00
40063001-2	PAID TIME OFF/AIDE&ORDERLY		1,431.00
Total		**20,258.00**	**20,258.00**

PGNH Adjusting Journal Entries JE # 105			
To clear out Meritain WH account to insurance expense.			
20430011-2	MERITAIN CAFE - PYRL INS	6,475.00	
40601090-2	EMPLOYEE BENEFITS-INSURANCE		6,475.00
Total		**6,475.00**	**6,475.00**

PGNH Adjusting Journal Entries JE # 106			
To remove old call system.			
10680000-2	ACCUM DEPRECIATION -DEPR	24,848.00	
10534000-2	EQUIPMENT - FXD ASSET		24,848.00
10005000-2	PETTY CASH - CASH		
Total		**24,848.00**	**24,848.00**

PGNH Adjusting Journal Entries JE # 107			
To accrue last payment for nurse call system.			
10534000-2	EQUIPMENT - FXD ASSET	13,760.00	
20000001-2	ACCRUED ACCOUNTS PAYABLE		13,760.00
Total		**13,760.00**	**13,760.00**

PGNH Adjusting Journal Entries JE # 108			
To adjust depreciation expense.			
60010000-2	DEPRECIATION1 -OTHER EXP	6,217.00	
10680000-2	ACCUM DEPRECIATION -DEPR		6,217.00
Total		**6,217.00**	**6,217.00**

PGNH Adjusting Journal Entries JE # 109			
To write off PGNH AR no longer on aging.			
60100000-2	BAD DEBT - OTHER EXP	120,318.00	
CRI6-2	WRITE-OFF OF AR		120,318.00
Total		**120,318.00**	**120,318.00**

PGNH Adjusting Journal Entries JE # 110			
To accrue additional PGNH pharmacy per vendor stmt balance.			
40200030-2	DRUG SUPPLY EXP -PHARMACY	17,766.00	
20000001-2	ACCRUED ACCOUNTS PAYABLE		17,766.00
Total		**17,766.00**	**17,766.00**

PGNH Adjusting Journal Entries JE # 111			
To adjust accrued vs payable portion of provider tax.			
20490000-2	ACCRUED FEES - OTHR LIAB	57,550.00	
20333000-2	AP DUE TO PROVIDER TAX		57,550.00
Total		**57,550.00**	**57,550.00**

Uncorrected audit adjustments were as follows:

Proposed Journal Entries JE # 301			
To record P&L effect of PY MGA note variance.			
60050000-1	INTEREST EXPENSE -OTHER EXP	5,059.00	
20700000-1	FUND BALANCE - FUND BAL		5,059.00
Total		**5,059.00**	**5,059.00**

Irwin County Hospital

September 4, 2018

Carr, Riggs & Ingram, LLC
Attn: Bryan Hall
1117 Boll Weevil Circle
Enterprise, AL 36330

This representation letter is provided in connection with your audits of the combined financial statements of the Hospital Authority of Irwin County, which comprise the combined statements of net position as of November 30, 2017 and 2016, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements, for the purpose of expressing opinions as to whether the combined financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 23, 2018, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 7, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information of the entity and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including any known instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.

9) The effects of all known actual or possible litigation, claims, and assessments, including those related to asserted and unasserted malpractice, health insurance, worker's compensation, and any other claims, have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the health care entity is contingently liable, if any, have been properly recorded or disclosed.

11) There are no instances of noncompliance with laws or regulations with respect to Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects we believe should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, other than those disclosed or accrued for in the financial statements. This is including, but not limited to, the antikickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law), and the False Claims Act.

12) Billings to third-party payors comply in all material respects with applicable coding guidelines and laws and regulations, including those dealing with Medicare and Medicaid antifraud and abuse. Such billings include only those charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

13) There have been no investigations, either internal or external, and there are no investigations in progress, relating to compliance with applicable laws and regulations that would have an effect on the amounts reported or disclosed in the financial statements.

14) There have been no oral or written communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, in any jurisdiction, including those related to deficiencies in financial reporting practices; Medicare and Medicaid antifraud and abuse statutes; or other matters that could have a material adverse effect on the financial statements.

15) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net position date and have been reduced to their estimated net realizable value.

16) We have made an adequate provision for estimated adjustments to revenue resulting from issues (if applicable) such as denied claims, changes to home health resource group, resource utilization group, ambulatory payment classification, and diagnostic-related group (DRG) assignments.

17) The valuation allowances we have recorded are necessary, appropriate, and properly supported.

18) We have made available to you all peer review organization, fiscal intermediary, and third-party payor reports and information.

19) Note 1 to the financial statements discloses all of the matters of which we are aware that are relevant to the health care entity's ability to continue as a going concern, including significant conditions and events, and management's plans.

Information Provided

20) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the health care entity from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the Board of Directors and related committees or summaries of actions of recent meetings for which minutes have not yet been prepared.

21) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

22) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

23) Except as made known to you, we have no knowledge of any fraud or suspected fraud that affects the health care entity, including financial reporting related to compliance with existing laws and regulations governing reimbursement from third-party payors, and involves:

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

24) Except as made known to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the health care entity's financial statements communicated by employees, former employees, grantors, regulators, or others.

25) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements whose effects should be considered when preparing financial statements.

26) We have disclosed to you all matters related to our settlement with the Office of the Inspector General (OIG) in 2015 and have properly recorded all associated liabilities arising from such settlement. Further, it is our belief that this matter is now fully resolved and closed, and we believe that we are now in material compliance with all federal and state laws, regulations and requirements of the Medicare and Medicaid programs.

27) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

28) We are aware that the Authority was not in technical compliance with the terms of the "Release and Settlement Agreement" between Morris, Manning & Martin, LLP ("MMM") and the Authority at November 30, 2017 and that, in accordance with the terms of the agreement, MMM may seek to recover additional amounts, which could potentially result in material expense and liabilities to the Authority. As of the date of this letter, no formal litigation or complaints have been presented to us by MMM and we have no reason to believe that MMM intends to seek such recovery. It is our belief that no adjustment to the financial statements at November 30, 2017 for any expenses or additional liabilities that may result from such matters is appropriate or necessary.

29) We have disclosed to you the identity of the health care entity's related parties and all the related party relationships and transactions of which we are aware.

30) On the advice of legal counsel, we have not recorded a liability for the note to Dr. Amin dated September 29, 2015, as we believe this instrument is contrary to applicable state statutes, as well as the settlement agreement with the Office of the Inspector General, and thus invalid.

31) We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions and events that indicate there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, including our evaluation of the likelihood

that those plans can be effectively implemented. Such plans are to continue to actively work with vendors and creditors to make payment arrangements or finance outstanding amounts due, and to further reduce expenditures, where possible, and increase cash from operations through improved collections on patient charges. In addition, the Authority believes it has the ability to obtain additional outside financing, if necessary.

Government—specific

32) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, or noncompliance or deficiencies related to existing laws and regulations governing reimbursement from third-party payors.

33) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

34) We have a process to track the status of audit findings and recommendations.

35) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

36) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

37) For cost reports filed with third parties:

- We have properly filed all required Medicare, Medicaid, and similar reports with third parties.
- We are responsible for the accuracy and propriety of all filed cost reports.
- Filed cost reports include costs that are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated to applicable payors.
- The reimbursement methodologies and principles we use are in accordance with applicable rules and regulations.
- We have given adequate consideration to, and made appropriate provision for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
- We have made provisions, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements.
- We have fully disclosed in the cost report all items required to be disclosed, including disputed costs that are claimed to establish a basis for a subsequent appeal.
- We have recorded third-party settlements that include differences between filed (and to-be-filed) cost reports and calculated settlements that we believe are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. Although we believe the entity is entitled to all amounts claimed on the cost reports, we also believe the differences reflected therein are appropriate.
- With regard to the Medicare and Medicaid cost reports that were filed for the year ended November 30, 2017, we acknowledge that the as-filed cost reports reflected unaudited numbers, and that we are obligated by applicable statutes and guidance to file amended cost reports for the year ended November 30, 2017 based on the final, audited numbers now available.

38) The health care entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

39) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

40) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

41) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

42) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

43) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

44) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

45) The health care entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statement notes.

46) The health care entity has complied with all aspects of contractual agreements, including existing laws and regulations governing reimbursement from third-party payors, that would have a material effect on the financial statements in the event of noncompliance.

47) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

48) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.

49) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

50) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

51) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

52) Provisions for uncollectible receivables have been properly identified and recorded.

53) Expenses have been appropriately classified in the statement of revenues, expenses, and changes in net position, and allocations have been made on a reasonable basis.

54) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.

55) Internal and intra-entity activity and balances have been appropriately classified and reported.

56) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

57) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

58) We have evaluated capitalized physician recruitment costs related to future service agreements and deemed that no impairment or reserve on these amounts is necessary. We have no reason to believe that the service periods specified in the future service agreements will not be fulfilled.

59) We have appropriately disclosed the health care entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

60) We are following our established accounting policy regarding which resources (that is, restricted or unrestricted) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the net position classifications for financial reporting purposes.

61) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

62) With respect to the combining statements of net position as of November 30, 2017 and 2016 and the combining statements of revenues, expenses, and changes in net position for the years then ended (collectively, the "supplementary information").

   a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

   b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

63) In regard to the preparation of the financial statements and related notes and the Medicare and Medicaid cost reports for the year ended November 30, 2017 as well as all other nonattest services performed by you, we have:

   1) Assumed all management responsibilities.
   2) Designated Tami Gray, CFO, who has suitable skill, knowledge, or experience to oversee the services.
   3) Evaluated the adequacy and results of the services performed.
   4) Accepted responsibility for the results of the services.

Signature: ______________________________

Signature: ______________________________

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Uncorrected (Immaterial) Misstatements

Proposed JE # 301			
To record P&L effect of PY MGA note variance.			
60050000-1	INTEREST EXPENSE -OTHER EXP	5,059.00	
20700000-1	FUND BALANCE - FUND BAL		5,059.00
Total		**5,059.00**	**5,059.00**