

THE BIBB COUNTY HEALTH CARE AUTHORITY
CENTREVILLE, ALABAMA

FINANCIAL STATEMENTS

for the years ended September 30, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Bibb County Health Care Authority
Centreville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of The Bibb County Health Care Authority (Authority), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of The Bibb County Health Care Authority as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Pension Plan Contributions on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with the sufficient evidence to express an opinion or provide any assurance.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
June 28, 2022

THE BIBB COUNTY HEALTH CARE AUTHORITY

Balance Sheets
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources		
<i>Current assets:</i>		
Cash	\$ 16,570,160	\$ 18,983,796
Certificates of deposit	1,098,183	1,085,834
Assets held by trustee and required for current liabilities	272,932	267,698
Patient accounts receivable, net of estimated uncollectibles of \$9,550,000 in 2021 and \$9,090,000 in 2020	2,153,026	2,389,119
Estimated third-party payor settlements	168,557	142,496
Other receivables	297,488	283,865
Current portion of note receivable	35,840	30,436
Supplies	408,811	303,334
Prepaid expenses	<u>183,339</u>	<u>143,258</u>
Total current assets	<u>21,188,336</u>	<u>23,629,836</u>
<i>Noncurrent cash and investments:</i>		
Held by trustee - restricted for scholarships	20,878	20,859
Held by trustee under indenture agreement	<u>272,932</u>	<u>267,698</u>
	293,810	288,557
Less amount required to meet current obligations	<u>272,932</u>	<u>267,698</u>
Total noncurrent cash and investments	<u>20,878</u>	<u>20,859</u>
<i>Capital assets:</i>		
Nondepreciable	5,496,076	2,839,647
Depreciable, net of accumulated depreciation	<u>18,208,061</u>	<u>18,190,933</u>
Total capital assets, net of accumulated depreciation	<u>23,704,137</u>	<u>21,030,580</u>
<i>Other assets:</i>		
Note receivable, net of current portion	233,724	269,564
Net pension asset	375,890	-
Other assets	<u>392,551</u>	<u>412,299</u>
Total other assets	<u>1,002,165</u>	<u>681,863</u>
Total assets	45,915,516	45,363,138
Deferred outflows of resources	<u>754,422</u>	<u>816,380</u>
Total assets and deferred outflows of resources	<u>\$ 46,669,938</u>	<u>\$ 46,179,518</u>

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Balance Sheets, Continued
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities, Deferred Inflows of Resources and Net Position		
<i>Current liabilities:</i>		
Current maturities of long-term debt	\$ 345,000	\$ 1,145,464
Accounts payable	237,901	710,614
Due to related parties	126,444	39,896
Accrued payroll and payroll taxes	712,990	709,841
Accrued interest payable	49,025	45,047
CARES Act unearned revenue	1,300,000	6,488,931
Estimated third-party payor settlements	988,917	31,151
Current portion of Medicare advance payments	-	339,074
Other current liabilities	78,387	224,931
Line-of-credit	<u>1,050,465</u>	<u>1,050,465</u>
Total current liabilities	4,889,129	10,785,414
Medicare advance payments, excluding current portion	-	1,017,223
Long-term debt, excluding current maturities	7,618,152	8,921,146
Net pension liability	<u>-</u>	<u>52,553</u>
Total liabilities	12,507,281	20,776,336
Deferred inflows of resources	<u>413,221</u>	<u>110,156</u>
Total liabilities and deferred inflows of resources	<u>12,920,502</u>	<u>20,886,492</u>
<i>Net position:</i>		
Net investment in capital assets	15,813,460	12,815,676
Restricted:		
Expendable for scholarships	20,878	20,859
Expendable for debt service	272,932	267,698
Unrestricted	<u>17,642,166</u>	<u>12,188,793</u>
Total net position	<u>33,749,436</u>	<u>25,293,026</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 46,669,938</u>	<u>\$ 46,179,518</u>

The accompanying notes are integral parts of these financial statements.

THE BIBB COUNTY HEALTH CARE AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately \$2,582,000 in 2021 and \$3,799,000 in 2020)	\$ 17,601,462	\$ 18,634,970
Medicaid subsidies	1,175,155	1,273,550
Other revenue	<u>2,579,588</u>	<u>2,093,546</u>
Total operating revenues	<u>21,356,205</u>	<u>22,002,066</u>
Operating expenses:		
Salaries and wages	10,554,778	10,352,446
Employee benefits	1,456,327	1,702,903
Purchased services	3,007,875	2,776,775
Supplies and drugs	2,469,728	2,324,663
Other expenses	3,137,431	2,912,665
Depreciation	<u>1,207,490</u>	<u>1,331,751</u>
Total operating expenses	<u>21,833,629</u>	<u>21,401,203</u>
Operating income (loss)	(<u>477,424</u>)	<u>600,863</u>
Nonoperating revenues (expenses):		
Local sales tax revenues	1,854,603	1,472,706
Investment income	75,419	21,565
Interest and amortization	(325,500)	(318,884)
Gain on disposal of assets	2,310	1,000
Other expense	(63,842)	(16,799)
CARES Act funding	5,503,523	1,059,386
PPP loan forgiveness	<u>1,779,230</u>	<u>-</u>
Total nonoperating revenues	<u>8,825,743</u>	<u>2,218,974</u>
Excess revenues before capital grants and contributions	8,348,319	2,819,837
Capital grants and contributions	<u>108,091</u>	<u>309,897</u>
Increase in net position	8,456,410	3,129,734
Net position, beginning of year	<u>25,293,026</u>	<u>22,163,292</u>
Net position, end of year	\$ <u>33,749,436</u>	\$ <u>25,293,026</u>

The accompanying notes are integral parts of these financial statements.

THE BIBB COUNTY HEALTH CARE AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 17,766,720	\$ 18,895,638
Receipts from Medicare advance payments	-	1,356,297
Repayments of Medicare advance receipts	(367,380)	-
Payments to suppliers and contractors	(9,273,553)	(7,490,698)
Payments to employees	(12,111,088)	(12,011,799)
Other receipts and payments, net	<u>3,754,743</u>	<u>3,367,096</u>
Net cash provided (used) by operating activities	<u>(230,558)</u>	<u>4,116,534</u>
Cash flows from noncapital financing activities:		
Local sales tax revenues	1,854,603	1,472,706
CARES Act funding	305,054	7,548,317
Proceeds from issuance of long-term debt	<u>-</u>	<u>1,779,230</u>
Net cash provided by noncapital financing activities	<u>2,159,657</u>	<u>10,800,253</u>
Cash flows from capital and related financing activities:		
Capital grants and contributions	108,091	309,897
Principal paid on long-term debt	(335,000)	(330,000)
Interest paid on long-term debt	(261,500)	(267,606)
Proceeds on sale of capital assets	2,999	1,000
Purchases of capital assets	<u>(3,881,736)</u>	<u>(3,099,513)</u>
Net cash used by capital and related financing activities	<u>(4,367,146)</u>	<u>(3,386,222)</u>
Cash flows from investing activities:		
Sale of investments	-	297,008
Proceeds from note receivable	30,436	-
Issuance of note receivable	-	(300,000)
Investment income	63,051	15,123
Other expense	<u>(63,842)</u>	<u>(16,799)</u>
Net cash provided (used) by investing activities	<u>29,645</u>	<u>(4,668)</u>
Net increase (decrease) in cash	(2,408,402)	11,525,897
Cash, beginning of year	<u>19,251,618</u>	<u>7,725,721</u>
Cash, end of year	\$ <u>16,843,216</u>	\$ <u>19,251,618</u>

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Statements of Cash Flows, Continued
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of cash to the balance sheets:		
Cash	\$ 16,570,160	\$ 18,983,796
Held by trustee under indenture agreement	272,932	267,698
Cash included in noncurrent cash and investments:		
Held by trustee - restricted for scholarships	<u>124</u>	<u>124</u>
Total cash	\$ <u>16,843,216</u>	\$ <u>19,251,618</u>
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$(477,424)	\$ 600,863
Adjustments to reconcile operating income (loss) to net cash flows provided (used) by operating activities:		
Depreciation	1,207,490	1,331,751
Provision for bad debts	2,582,262	3,799,284
Changes in:		
Patient accounts receivable	(2,346,169)	(3,675,471)
Estimated third-party payor settlements	(57,212)	133,596
Other receivables	(13,623)	(28,582)
Supplies	(105,477)	(65,676)
Prepaid expenses	(40,081)	37,476
Other assets	19,748	(58,077)
Deferred outflows of resources	22,246	29,172
Accounts payable	(472,713)	393,180
Due to related parties	86,548	(6,032)
Accrued payroll and payroll taxes	3,149	152,479
Other current liabilities	(146,544)	164,457
Medicare advance payments	(367,380)	1,356,297
Net pension asset (liability)	(428,443)	(87,628)
Deferred inflows of resources	<u>303,065</u>	<u>39,445</u>
Net cash provided (used) by operating activities	\$ <u>(230,558)</u>	\$ <u>4,116,534</u>
Supplemental disclosures of noncash investing, capital, and financing activities:		
Amortization of bond discount	\$ <u>10,772</u>	\$ <u>10,773</u>
Amortization of deferred loss on refunding	\$ <u>39,712</u>	\$ <u>39,711</u>
See Note 8 for additional information regarding forgiveness of the Authority's Paycheck Protection Program loan	\$ <u>1,779,230</u>	\$ <u>-</u>

The accompanying notes are integral parts of these financial statements.

THE BIBB COUNTY HEALTH CARE AUTHORITY

Statements of Fiduciary Net Position - Pension Trust Fund
 Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Investments, at fair value:		
Cash and cash equivalents	\$ 50,075	\$ 43,855
Mutual funds	<u>1,549,397</u>	<u>1,287,603</u>
Total investments	<u>1,599,472</u>	<u>1,331,458</u>
Total assets	\$ <u>1,599,472</u>	\$ <u>1,331,458</u>
Net position restricted for pensions:		
Total net position	\$ <u>1,599,472</u>	\$ <u>1,331,458</u>

The accompanying notes are integral parts of these financial statements.

THE BIBB COUNTY HEALTH CARE AUTHORITY

Statements of Changes in Fiduciary Net Position - Pension Trust Fund
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Additions:		
Additions to net position attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 71,667	\$ 42,488
Interest and dividends	251,599	69,727
Investment expenses	(12,759)	(10,726)
Total investment income	310,507	101,489
Employee contributions	10,188	36,092
Employer contributions	<u>37,000</u>	<u>14,847</u>
Total additions	<u>357,695</u>	<u>152,428</u>
Deductions:		
Deductions from net position attributed to:		
Participant distributions	(77,531)	(94,154)
Administrative expenses	(12,150)	(8,650)
Total deductions	(89,681)	(102,804)
Net increase	268,014	49,624
Net position restricted for pensions:		
Beginning of year	<u>1,331,458</u>	<u>1,281,834</u>
End of year	\$ <u>1,599,472</u>	\$ <u>1,331,458</u>

The accompanying notes are integral parts of these financial statements.

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements
September 30, 2021 and 2020

1. Summary of Significant Accounting Policies

Reporting entity. The Bibb County Health Care Authority (Authority) is a public corporation that owns and operates Bibb Medical Center, Bibb Nursing Home, and Bibb Medical Associates. The Bibb County Hospital Board (Board) was originally incorporated under the provisions of the Code of Alabama 1975, Sections 22-21-70 through 22-21-83. Subsequently, the Board was designated to operate as a hospital corporation under the provisions of the Code of Alabama 1975, Sections 22-21-100 through 22-21-112. As of September 28, 1998, the Bibb County Hospital Board reincorporated as a health care authority under the provisions of the Code of Alabama 1975, Section 22-21-314. The Authority was designated to operate as a hospital corporation under the provisions of the Code of Alabama 1975, Sections 22-21-310 and 22-21-359.

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

Related party and organization. The Authority and Cahaba Valley Health Services, Inc. are related parties due to common management and members of the Board of Directors. See Note 9 for additional information.

The Authority's Board of Directors is composed of five members appointed by the Bibb County Commission (County Commission), and four members elected by the existing Board of Directors of the Authority. The County Commission, however, is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) for the Authority, and the Authority is not considered part of the County Commission's financial reporting entity. The Authority is considered a related organization of the County Commission.

Fiduciary fund. Following the Authority's financial statements are separate financial statements for the fiduciary fund. The Pension Trust Fund fiduciary fund is excluded from the Authority's financial statements as these assets are held in a trust capacity for the benefit of employees of the Authority who participate in The Bibb County Healthcare Authority Retirement Plan (Note 10) and cannot be used to support the Authority's programs.

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

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, estimated third-party payor settlements, and self-insurance reserves. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

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

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

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

Noncurrent cash and investments. Noncurrent cash and investments primarily include assets held by the trustee under indenture agreements and restricted by donor for scholarships. Noncurrent cash and investments consist of demand deposit accounts and certificates of deposit, which are recorded at amortized cost. Interest and gains and losses, both realized and unrealized, on investments are included in nonoperating revenue when earned. Amounts required to meet current liabilities of the Authority have been reclassified in the balance sheet at September 30, 2021 and 2020.

Capital assets. Capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed on the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Land improvements	8 to 30 Years
Buildings and improvements	3 to 40 Years
Equipment	3 to 25 Years

Investments in other entities. The Authority had an 8% ownership in Greater Alabama Health Network, Inc. (GAHN), which was the provider of maternity services to pregnant women covered by Medicaid and who live in Bibb, Dallas, Fayette, Hale, Tuscaloosa, Greene, Lamar, Perry, Pickens or Wilcox counties. During 2020, GAHN was liquidated and the Authority received proceeds from the liquidation for approximately \$297,000.

The Authority invested \$50,000 in Healthcare Advanced Risk Technologies, Inc. (HART) during 2019. HART provides artificial intelligence infrastructure solutions designed to, among other potential uses, improve the processes involved in the documentation of certain aspects of medical care delivery, insurance benefit eligibility, and healthcare revenue cycle management.

Note receivable. During 2020, the Authority issued a loan in the amount of \$300,000 to Inspirien Insurance Company. The note has an interest rate of 8.00% and payments are due in monthly installments over sixty months. The amounts received as payments on the loan were approximately \$30,000 and \$0- in 2021 and 2020, respectively.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

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

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

Compensated absences. The Authority's eligible employees earn paid time off (PTO) at varying rates depending on years of service. PTO can be used in minimum increments of 4 hours and a maximum of no more than 80 hours. In the event that available PTO is not used by the end of the year, employees may carry unused time forward to the next year. Employees may accumulate PTO up to 200 hours maximum. Upon termination of employment, employees that have at least one year of service and have provided the appropriate two week notice will be paid for unused PTO. However, if the Authority, in its sole discretion, terminates employment for cause, forfeiture of unused PTO may result. If there is any change in employment status (separation or reduction from full-time to part-time) remaining PTO of less than 80 hours must be paid out within one month, remaining PTO hours greater than 80 hours must be paid out within two months of change. PTO and sick time may not be taken once the employee has provided notice of separation of employment, even if it was approved prior to the resignation.

Eligible employees also earn sick leave benefits at a rate of one day for a full month of service. Employees may accumulate sick leave up to a maximum of 240 hours. Employees are not paid for accumulated sick leave while employed or upon termination.

Unearned revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 19 for additional information.

Net position. Net position of the Authority is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 8. *Unrestricted net position* is the remaining net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of *net investment in capital assets* or the *restricted net position*.

Net patient service revenue. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

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 revenue.

Operating revenues and expenses. The Authority's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Authority's principle activity. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

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

Local sales tax revenue. The Authority receives the proceeds of a special privilege, license, and excise tax, commonly referred to as a local sales tax. Governmental accounting standards require that the proceeds of such taxes be recorded as revenue by the recipient in the period that the underlying exchange from which the tax is derived occurs. The Authority received approximately \$1,855,000 and \$1,473,000 in 2021 and 2020, respectively, and is included in local sales tax revenues on the statement of revenues, expenses, and changes in net position.

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

Deferred outflows of resources. Deferred outflows of resources consist of the unamortized portion of the deferred loss on the advance refunding for the 2009-A Revenue Bonds of approximately \$688,000 and \$728,000 in 2021 and 2020, respectively. See Note 8 for additional information. Also included are the amounts related to the defined benefit pension plan of approximately \$66,000 at September 30, 2021 and \$88,000 at September 30, 2020. See Note 10 for additional information.

Deferred inflows of resources. Deferred inflows of resources consist of amounts related to the defined benefit pension plan of approximately \$413,000 at September 30, 2021 and \$110,000 at September 30, 2020. See Note 10 for additional information.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

Risk management. The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage in any of the three preceding years. The Authority is self-insured for employee health insurance, see Note 13. See Note 14 for additional information related to the Authority's professional coverage.

Impairment of long-lived assets. The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate.

The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended September 30, 2021 or 2020.

Fair value measurements. GASB Statement No. 72 - *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB No. 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB No. 72 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- *Level 3:* Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently adopted accounting pronouncement. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 is effective for fiscal years beginning after December 15, 2018. However, the adoption of GASB 84 was

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

Recently adopted accounting pronouncement, continued. delayed one year by the issuance and adoption of GASB 95. the Authority retroactively adopted this statement effective October 1, 2020 resulting in the presentation of the Statements of Fiduciary Net Position - Pension Trust Fund and Statements of Changes in Fiduciary Net Position - Pension Trust Fund in the accompanying financial statements. The adoption had no impact to net position.

Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the Authority. The Authority is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust arrangements. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Authority's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The Bibb County Healthcare Authority Retirement Plan (Note 10) is reported under the fiduciary fund. Since the resources of this fund are not available to support the Authority's own programs, the fund is not reflected in the Authority's financial statements. The statements of fiduciary net position and the statements of changes in fiduciary net position can be found on pages 9 and 10, respectively, of this report.

Accounting pronouncement not yet adopted. In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes standards of accounting and financial reporting by lessees and lessors. GASB 87 will require a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, with certain exceptions, and will require a lessor to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. GASB 87 is effective for fiscal years beginning after June 15, 2021 with GASB 95 deferral. The Authority is currently evaluating the impact GASB 87 will have on its financial statements.

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

2. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 20% and 26%, respectively, of the Authority's gross patient service revenue for the year ended 2021 and 27% and 26%, respectively, of the Authority's gross patient service revenue for the year ended 2020. Laws and regulations governing the Medicare and Medicaid programs are 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.

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

- *Medicare.* Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates per encounter characterized as ambulatory payment classifications in which payment is based on the type of patient service performed.

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). Effective October 1, 2019, the services rendered to Medicare program beneficiaries are paid based on a patient-driven payment methodology.

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through September 30, 2017.

- *Medicaid.* The Hospital Funding Program governs Medicaid payments. For public hospitals, the Hospital Funding Program utilizes federal funds derived from disproportionate share hospital (DSH) payments to provide inpatient and outpatient payments.

Hospitals receive quarterly DSH payments during the state fiscal year, base per diem payments for inpatient services, and outpatient payments based on the Medicaid fee schedule maintained by the Medicaid agency. These payments are determined and provided by the Alabama Medicaid Agency. The Alabama Medicaid Agency claims the maximum allowable DSH amount from the federal government and distributes these funds to hospitals based on a hospital's share of statewide uncompensated care.

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

- *Medicaid, continued.* DSH transactions are considered interim payments by the Centers for Medicare and Medicaid Services (CMS), the federal agency responsible for managing states' Medicaid programs. The Alabama Medicaid Agency is required to conduct reconciliations of DSH payments to hospitals with actual cost incurred by the hospitals. The reconciliation process for SFY 2018 was in progress at year-end. Based on these reconciliations, the State of Alabama through the Medicaid Agency is responsible for any excess funds claimed above allowed amounts or unclaimed funds below allowed amounts from CMS. If the reconciliation shows the cost incurred for all public hospitals is more than the total DSH payments received, no individual hospital adjustment will be made; however, if the cost incurred for all public hospitals is less than the total DSH payments received, each individual hospital will be required to reimburse its pro rata share of payments received for the difference noted. During 2021, there were no audit findings requiring reimbursement from public hospitals.

Nursing home services rendered to Medicaid program beneficiaries are paid based on cost, which is subject to a maximum rate, which is provided by the Alabama Medicaid Agency.

- *Blue Cross.* Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per day of hospitalization. Outpatient services are paid on an enhanced ambulatory patient grouping (EAPG) methodology. Under this methodology, the Authority is reimbursed at prospectively determined rates per service.
- *Other Agreements.* The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. Uncompensated Services

The amount of charges forgone for services and supplies furnished under the Authority's charity care policy aggregated approximately \$422,000 and \$261,000 in 2021 and 2020, respectively.

4. Cash and Investments

The Authority's cash and investments are carried at amortized cost, which approximates fair value. Cash and investments as of September 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Balance sheets:		
Cash	\$ 16,570,160	\$ 18,983,796
Certificates of deposit	1,098,183	1,085,834
Assets held by trustee and required for current liabilities	272,932	267,698

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

4. Cash and Investments, Continued

	<u>2021</u>	<u>2020</u>
Balance sheets, continued:		
Noncurrent cash and investments:		
Held by trustee - restricted for scholarships	\$ <u>20,878</u>	\$ <u>20,859</u>
Total	\$ <u>17,962,153</u>	\$ <u>20,358,187</u>
Deposits and investments consist of the following:		
Deposits	\$ 16,570,284	\$ 18,983,920
Certificates of deposit	1,118,937	1,106,569
Money market accounts	<u>272,932</u>	<u>267,698</u>
Total	\$ <u>17,962,153</u>	\$ <u>20,358,187</u>

At September 30, 2021 and 2020, the Authority's deposits were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

5. Net Patient Accounts Receivable

Net patient accounts receivable reported as current assets by the Authority at September 30, 2021 and 2020 consisted of these amounts:

	<u>2021</u>	<u>2020</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 10,262,731	\$ 9,707,338
Receivable from Medicare	613,259	1,403,702
Receivable from Medicaid	<u>826,958</u>	<u>367,898</u>
Total patient accounts receivable	11,702,948	11,478,938
Less allowance for uncollectible amounts (includes contractual adjustments)	<u>9,549,922</u>	<u>9,089,819</u>
Patient accounts receivable, net	\$ <u>2,153,026</u>	\$ <u>2,389,119</u>

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

6. Capital Assets

Capital asset balances for the years ended September 30, 2021 and 2020 were as follows:

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance September 30, <u>2021</u>
Land and nondepreciable assets	\$ 2,118,241	\$ 10,000	\$ -	\$ -	\$ 2,128,241
Construction-in-progress	<u>721,406</u>	<u>3,607,946</u>	<u>-</u>	<u>(961,517)</u>	<u>3,367,835</u>
Total capital assets not being depreciated	<u>2,839,647</u>	<u>3,617,946</u>	<u>-</u>	<u>(961,517)</u>	<u>5,496,076</u>
Land improvements	2,313,024	27,000	-	60,586	2,400,610
Buildings and improvements	27,020,549	24,610	(4,967)	644,567	27,684,759
Fixed equipment	9,925,602	54,975	(85,965)	96,809	9,991,421
Major moveable equipment	<u>3,925,283</u>	<u>157,206</u>	<u>-</u>	<u>159,555</u>	<u>4,242,044</u>
Total capital assets being depreciated	<u>43,184,458</u>	<u>263,791</u>	<u>(90,932)</u>	<u>961,517</u>	<u>44,318,834</u>
Less accumulated depreciation for:					
Land improvements	(1,042,859)	(178,438)	-	-	(1,221,297)
Buildings and improvements	(12,506,185)	(424,353)	4,277	-	(12,926,261)
Fixed equipment	(8,719,301)	(427,782)	85,965	-	(9,061,118)
Major moveable equipment	<u>(2,725,180)</u>	<u>(176,917)</u>	<u>-</u>	<u>-</u>	<u>(2,902,097)</u>
Total accumulated depreciation	<u>(24,993,525)</u>	<u>(1,207,490)</u>	<u>90,242</u>	<u>-</u>	<u>(26,110,773)</u>
Capital assets being depreciated, net	<u>18,190,933</u>	<u>(943,699)</u>	<u>(690)</u>	<u>961,517</u>	<u>18,208,061</u>
Total capital assets, net	\$ <u>21,030,580</u>	\$ <u>2,674,247</u>	\$ <u>(690)</u>	\$ <u>-</u>	\$ <u>23,704,137</u>

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

6. Capital Assets, Continued

	Balance September 30, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance September 30, <u>2020</u>
Land and nondepreciable assets	\$ 2,118,241	\$ -	\$ -	\$ -	\$ 2,118,241
Construction-in-progress	<u>798,395</u>	<u>2,559,783</u>	<u>-</u>	<u>(2,636,772)</u>	<u>721,406</u>
Total capital assets not being depreciated	<u>2,916,636</u>	<u>2,559,783</u>	<u>-</u>	<u>(2,636,772)</u>	<u>2,839,647</u>
Land improvements	2,218,494	-	-	94,530	2,313,024
Buildings and improvements	25,183,398	336,937	-	1,500,214	27,020,549
Fixed equipment	9,359,910	78,310	-	487,382	9,925,602
Major moveable equipment	<u>3,258,304</u>	<u>124,483</u>	<u>(12,150)</u>	<u>554,646</u>	<u>3,925,283</u>
Total capital assets being depreciated	<u>40,020,106</u>	<u>539,730</u>	<u>(12,150)</u>	<u>2,636,772</u>	<u>43,184,458</u>
Less accumulated depreciation for:					
Land improvements	(970,881)	(71,978)	-	-	(1,042,859)
Buildings and improvements	(11,815,493)	(690,692)	-	-	(12,506,185)
Fixed equipment	(8,481,017)	(238,284)	-	-	(8,719,301)
Major moveable equipment	<u>(2,406,533)</u>	<u>(330,797)</u>	<u>12,150</u>	<u>-</u>	<u>(2,725,180)</u>
Total accumulated depreciation	<u>(23,673,924)</u>	<u>(1,331,751)</u>	<u>12,150</u>	<u>-</u>	<u>(24,993,525)</u>
Capital assets being depreciated, net	<u>16,346,182</u>	<u>(792,021)</u>	<u>-</u>	<u>2,636,772</u>	<u>18,190,933</u>
Total capital assets, net	\$ <u>19,262,818</u>	\$ <u>1,767,762</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>21,030,580</u>

At September 30, 2021, the Authority had no outstanding construction contracts.

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

7. Line-of-Credit

In July 2016, the Board of Directors of the Authority approved the establishment of a revolving line-of-credit with a borrowing limit of \$1,050,465. The revolving line-of-credit incurs interest monthly at a fixed per annum rate of 2.35% with an original maturity date on September 8, 2018. The line-of-credit was renewed and the maturity date is now December 8, 2022. The line is secured by a portion of the Authority's certificates of deposit. Activity on the line-of-credit during the years ended September 30, 2021 and 2020, was as follows:

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2021</u>
Direct borrowing: Line-of-credit	\$ <u>1,050,465</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,050,465</u>
	Balance September 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2020</u>
Direct borrowing: Line-of-credit	\$ <u>1,050,465</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,050,465</u>

8. Long-Term Debt

A summary of changes in the Authority's bonds and notes payable for 2021 and 2020 follows:

	Balance September 30, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2021</u>	<u>Amounts Due Within One Year</u>
Revenue bonds:					
Series 2016-A Hospital Tax Revenue Bonds	\$ 6,360,000	\$ -	\$ -	\$ 6,360,000	\$ -
Series 2016-B Hospital Tax Revenue Bonds	2,105,000	-	(335,000)	1,770,000	345,000
Less bond discount	(177,620)	-	10,772	(166,848)	-
Direct borrowing: PPP SBA Loan	<u>1,779,230</u>	<u>-</u>	<u>(1,779,230)</u>	<u>-</u>	<u>-</u>
Total long-term debt	\$ <u>10,066,610</u>	\$ <u>-</u>	\$ <u>(2,103,458)</u>	\$ <u>7,963,152</u>	\$ <u>345,000</u>

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

8. Long-Term Debt, Continued

	Balance September 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2020</u>	Amounts Due Within <u>One Year</u>
Revenue bonds:					
Series 2016-A Hospital Tax Revenue Bonds	\$ 6,360,000	\$ -	\$ -	\$ 6,360,000	\$ -
Series 2016-B Hospital Tax Revenue Bonds	2,435,000	-	(330,000)	2,105,000	335,000
Less bond discount	(188,393)	-	10,773	(177,620)	-
Direct borrowing:					
PPP SBA Loan	<u>-</u>	<u>1,779,230</u>	<u>-</u>	<u>1,779,230</u>	<u>810,464</u>
Total long-term debt	<u>\$ 8,606,607</u>	<u>\$ 1,779,230</u>	<u>\$(319,227)</u>	<u>\$ 10,066,610</u>	<u>\$ 1,145,464</u>

In November 2016, the Authority issued Series 2016 Bonds pursuant to a Trust Indenture dated October 1, 2009, as amended and supplemented between the Authority and Regions Bank. The purpose of the Bonds is (1) for advance refunding Series 2009-A in an aggregate principal amount of \$7,085,000 having stated maturities or subject to mandatory redemption in 2020 through 2039, (2) for funding of capital improvements to the facilities of the Authority, and (3) for paying the costs of issuance of the Series 2016 Bonds. Series 2016-A Hospital Tax Revenue Bond for \$6,360,000 mature or have mandatory redemption requirements annually from February 2026 through 2039. Interest payments are due on February 1 and August 1 ranging from 2.75% to 3.50%. The Series 2016-B Hospital Tax Revenue Bonds for \$2,820,000 are federally taxable and mature annually beginning February 2017 through 2026. Interest payments are due February 1 and August 1 ranging from 2.00% to 3.35%. The Series 2016 Bonds are secured by a pledge of a portion of the special privilege, license, and excise tax levied in Bibb County, Alabama, the net revenues derived by the Authority and the funds established under the Indenture for the benefit of the Series 2009-A and any additional bonds hereafter issued by the Authority.

As a result of the advance bond refunding transaction, the Authority recognized a loss of approximately \$880,000 in 2017. The loss included a partial write-off of unamortized Series 2009-A Bond discount as well as funds necessary to adequately fund the Series 2009-A escrow account. The loss will be amortized over the life of the Series 2016 Bonds and is included in the deferred outflow of resources in the balance sheet. As a result of the advance refunding, the Authority will realize an economic loss of approximately \$43,000 or 1% of the principal amount being refunded and benefit from reduced total debt service requirements of approximately \$1,526,000.

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

8. Long-Term Debt, Continued

Under the terms of the Series 2016 Bonds, the Authority is required to maintain certain deposits with a trustee. Such deposits are included with noncurrent cash and investments in the balance sheet. At September 30, 2021 and 2020, the Authority maintained the appropriate funds required by the Bond covenants.

On April 24, 2020, the Authority received loan proceeds in the amount of \$1,779,230 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. During 2021, the Authority received full forgiveness approval from Small Business Administration (SBA). The gain on forgiveness is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position.

All long-term debt instruments held by the Authority contain a provision that in an event of default, outstanding obligations may become immediately due and payable.

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

<u>Year Ending September 30:</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 345,000	\$ 253,036
2023	355,000	243,581
2024	365,000	233,136
2025	375,000	221,661
2026	390,000	209,309
2027-2031	2,120,000	867,338
2032-2036	2,480,000	509,122
2037-2039	<u>1,700,000</u>	<u>90,475</u>
	8,130,000	2,627,658
Less:		
Bond discount	<u>166,848</u>	<u>-</u>
Total	<u>\$ 7,963,152</u>	<u>\$ 2,627,658</u>

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

9. Related Party Transaction

The Bibb County Health Care Authority (Owner) has a contract with Cahaba Valley Health Services, Inc. (Operator) to manage the day-to-day operations of its facilities. The initial term of the contract was for five years and ended July 31, 1989. The contract stipulates that the term shall automatically renew for additional five-year periods unless the Operator shall elect to discontinue. During any term, this contract may be terminated by the Operator with or without cause upon a thirty day written notice or by the Owner for "good cause" upon a thirty day written notice. The compensation for the management services is \$10,000 per month. Additionally, the Operator is reimbursed for the cost of administrative compensation and fringe benefits. At any time during the term of the original contract or subsequent extensions thereof, the Operator shall have the right of first refusal to purchase the hospital, nursing home facility, or any other facility under its supervision and management.

The Owner and Operator are related parties due to common management and members of the Board of Directors. Management fees and reimbursed administrative costs were approximately \$771,000 and \$582,000 for the years ended September 30, 2021 and 2020, respectively. The total amount due to the Operator approximated \$126,000 and \$43,000 at September 30, 2021 and 2020, respectively, included in current liabilities in the balance sheet.

10. Defined Benefit Plan

Plan description. The Authority has a single-employer defined benefit pension plan (Plan) covering certain eligible employees. The Plan provides benefits of stated amounts for each year of service. Contributions to the Plan reflect benefits attributed to employees' services to date, as well as services expected to be performed in the future. The Plan does not issue a separate stand-alone financial report.

The Plan provides retirement and other benefits. Retirement benefits are determined as the sum of 1.00% of average monthly compensation multiplied by years of benefit service prior to October 1, 1978 (not to exceed 10 years) and 1.50% of average monthly compensation multiplied by years of benefit service after October 1, 1978 (not to exceed 40 years). Average monthly compensation is defined as the average of monthly pay for the five latest compensation years. Early retirement is available to employees at age 55 with 10 years of service with reduced benefits.

Participant data. The following is a summary of plan participants as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Inactive participants:		
Terminated employees entitled to deferred benefits	13	12
Active participants	<u>3</u>	<u>4</u>
Total participants	<u>16</u>	<u>16</u>

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THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

10. Defined Benefit Plan, Continued

Contributions. Contributions for the defined benefit pension plan are made by both the participants and the Authority. Participants are required to contribute 5.00% of their compensation and contributed approximately \$10,000 and \$15,000 in 2021 and 2020, respectively. The Authority is required to annually contribute the actuarially determined contribution, calculated in accordance with the standards of practice by the Actuarial Standards Board of the American Academy of Actuaries, equal to the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with additional amounts to finance any unfunded accrued liability and administrative expenses. The Authority's contribution requirements are as follows:

	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 24,140	\$ 36,092
Contributions made in relation to the actuarially determined contribution	<u>37,000</u>	<u>36,092</u>
Contribution excess	\$(<u>12,860</u>)	\$ <u>-</u>
Covered payroll	\$ <u>196,327</u>	\$ <u>258,436</u>
Contributions as a percentage of payroll	<u>18.85%</u>	<u>13.97%</u>

Assumptions and other inputs. The following summarizes the significant assumptions used in the valuation as of September 30, 2021 and 2020:

- *Inflation* - 3.00%
- *Expected rate of return* - 7.00% per annum
- *Mortality* - 2019 Applicable Mortality Table
- *Discount rate* - 7.00% per annum
- *Salary increases* - 3.50% per annum

The following table illustrates the allocation and expected rate of return of the Plan Fiduciary Net Position as of September 30, 2021:

<u>Asset Class</u>	<u>Total Allocation</u>	<u>Expected Rate of Return</u>
Equities	83%	5.00% - 8.00%
Fixed income	14%	2.00% - 5.00%
Cash	<u>3%</u>	0.00% - 2.00%
Total	<u>100%</u>	

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

10. Defined Benefit Plan, Continued

Assumptions and other inputs, continued. The Plan Fiduciary Net Position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability (Asset) for the fiscal years ended September 30, 2021 and 2020:

	<u>Net Pension Liability (Asset)</u>	
	<u>2021</u>	<u>2020</u>
1.00% decrease (6.00%)	\$(352,215)	\$ 206,894
Current discount rate (7.00%)	\$(375,890)	\$ 52,553
1.00% increase (8.00%)	\$(399,119)	\$(80,715)

Net pension liability (asset). The actuarial valuation of the plan was performed as of September 30, 2021 and 2020, and the measurement date of the net pension liability (asset) is as of September 30, 2021 and 2020.

The following table presents the changes in Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability (Asset) for the years ended September 30, 2021 and 2020:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance recognized at September 30, 2019	\$ <u>1,422,015</u>	\$ <u>1,281,834</u>	\$ <u>140,181</u>
Changes recognized for the fiscal year:			
Service cost	17,882	-	17,882
Interest on the total pension liability	100,793	-	100,793
Differences between expected and actual experience	(53,875)	-	(53,875)
Contributions from the employer	-	36,092	(36,092)
Contributions from the employees	-	14,847	(14,847)
Net investment income	-	101,489	(101,489)
Benefit payments	(<u>102,804</u>)	(<u>102,804</u>)	-
Net changes	(<u>38,004</u>)	<u>49,624</u>	(<u>87,628</u>)
Balance recognized at September 30, 2020	<u>1,384,011</u>	<u>1,331,458</u>	<u>52,553</u>

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

10. Defined Benefit Plan, Continued

Net pension liability (asset), continued.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Changes recognized for the fiscal year:			
Service cost	\$ 14,241	\$ -	\$ 14,241
Interest on the total pension liability	97,878	-	97,878
Differences between expected and actual experience	(182,867)	-	(182,867)
Contributions from the employer	-	37,000	(37,000)
Contributions from the employees	-	10,188	(10,188)
Net investment income	-	310,507	(310,507)
Benefit payments	<u>(89,681)</u>	<u>(89,681)</u>	<u>-</u>
Net changes	<u>(160,429)</u>	<u>268,014</u>	<u>(428,443)</u>
Balance recognized at September 30, 2021	\$ <u>1,223,582</u>	\$ <u>1,599,472</u>	\$ <u>(375,890)</u>

Pension (gain) loss recognized during 2021 and 2020 totaled \$(103,132) and \$(19,011), respectively.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. The following table presents components of deferred outflows and inflows of resources for the years ended September 30, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 26,107	\$ 257,954	\$ 29,990	\$ 110,156
Net differences between projected and actual earnings on Plan investments	-	155,267	12,421	-
Change in assumption	<u>39,988</u>	<u>-</u>	<u>45,930</u>	<u>-</u>
Amounts to be recognized in pension expense	\$ <u>66,095</u>	\$ <u>413,221</u>	\$ <u>88,341</u>	\$ <u>110,156</u>

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

10. Defined Benefit Plan, Continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued. Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Decrease to Expense</u>
2022	\$ 60,967
2023	54,556
2024	71,718
2025	69,003
2026	25,245
Thereafter	<u>65,634</u>
Total	\$ <u>347,123</u>

GASB No. 68 requires a schedule of changes in net pension liability and related ratios and a schedule of pension contributions for each of the last ten years to be presented as required supplementary information. However, due to the implementation of the standard in fiscal year 2015, information for the prior years is not reasonably obtainable. Therefore, only information for the years available is presented.

Investments included in fiduciary net position. The Plan has the following recurring fair value measurements as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ <u>50,075</u>	\$ <u>43,855</u>
Mutual funds:		
Fixed income	218,665	217,866
Equities	<u>1,330,732</u>	<u>1,069,737</u>
Total mutual funds	<u>1,549,397</u>	<u>1,287,603</u>
Plan fiduciary net position	\$ <u>1,599,472</u>	\$ <u>1,331,458</u>

The fair value of the above mutual funds is determined based on quoted market prices as of September 30, 2021 and 2020, which is considered Level 1 within the GASB fair value hierarchy.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued September 30, 2021 and 2020

11. Defined Contribution Plan

The Authority has a defined contribution 403(b) profit-sharing plan (403(b) Plan). All full-time employees who have completed one year of service and have attained age 21 are eligible to participate in the 403(b) Plan. Qualified employees may contribute up to 15% of their salary not to exceed statutory limits. Employees are vested immediately in their contributions. The Authority makes no contributions to the 403(b) Plan.

12. Medicaid Subsidies

In addition to receiving payments from Medicaid for services to hospital patients, the Authority also receives disproportionate share payments and access payments from Medicaid. The net funds received by the Authority amounted to approximately \$1,175,000 and \$1,274,000 for the years ended September 30, 2021 and 2020, respectively, and are included in the accompanying financial statements as operating revenues.

During the years ended September 30, 2021 and 2020, the State of Alabama levied a privilege tax on all nursing facilities in Alabama. The Authority paid taxes in the amounts of approximately \$623,000 and \$584,000 for the years ended September 30, 2021 and 2020, respectively. As a result of this privilege tax, the Medicaid reimbursement rates for nursing home residents have been enhanced; therefore, the privilege tax has been reported as an operating expense. This enhancement is contingent on the continuation of this tax.

13. Employee Group Health Insurance

The Authority has established a self-insurance plan for its employees' medical care and assumed liability for employees' group health costs in excess of employee contributions. The Authority has obtained "excess loss" insurance that limits its liability to \$60,000 per individual within a plan year. The accompanying financial statements include a provision for estimated unpaid group health claims incurred on or before the balance sheet dates. The amount accrued is presented as other current liabilities in the accompanying balance sheets. The total amount of claims incurred for group health insurance was approximately \$1,070,000 and \$1,115,000 for fiscal years 2021 and 2020, respectively. The Authority recognized expense of approximately \$917,000 and \$954,000 in fiscal years 2021 and 2020, respectively.

14. Professional Liability

The Authority is insured by a claims made medical professional liability policy through the third-party insurance company of Inspirien Insurance Company (formally Coastal Insurance Company). Liability limits related to this policy in 2021 and 2020 is \$1 million per occurrence and \$3 million in aggregate. In connection with obtaining this coverage, the Authority purchased 23,227 shares of the insurance carrier's subscriber stock at a cost of \$232,260. This stock has been reported as other assets in the accompanying balance sheets. The current policy expires in December 2021 and premiums are expensed pro rata over the policy period.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

14. Professional Liability, Continued

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

15. Commitments and Contingencies

Compliance plan. The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the federal level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Authority has not contracted with an outside firm for an external evaluation of the potential impact of such compliance issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages. However, based on an internal evaluation, management believes that the ultimate liability resulting from potential noncompliance will not have a material adverse effect on the financial statements.

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

Litigation. The Authority is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See professional liability disclosures in Note 14.

16. Fair Values of Financial Instruments

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

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

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

16. Fair Values of Financial Instruments, Continued

- *Short-term investments and noncurrent cash and investments:* These assets consist primarily of cash, certificates of deposit and money market accounts and are recorded at amortized cost which approximates fair value.
- *Line-of-credit:* The carrying amount reported in the balance sheet approximates its fair value.
- *Long-term debt:* The fair value of the Authority's revenue bonds is estimated based on the quoted market value for same or similar debt instruments. The Authority's remaining long-term debt approximates fair value.

The carrying amounts and fair values of the Authority's long-term debt at September 30, 2021 and 2020 are as follows:

	2021		2020	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ <u>7,963,152</u>	\$ <u>8,193,000</u>	\$ <u>10,066,610</u>	\$ <u>10,419,230</u>

17. Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	5%	12%
Medicaid	7%	3%
Other third-party payors	22%	18%
Patients	<u>66%</u>	<u>67%</u>
Total	<u>100%</u>	<u>100%</u>

18. Medicare Accelerated and Advance Payments

The *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* expanded the Medicare Accelerated and Advance Payment (MAAP) program to increase cash flow to healthcare providers impacted by the COVID-19 pandemic. In April, 2020 the Authority received approximately \$1,356,000 in MAAP payments. The MAAP payments must be repaid and recoupment begins one year after the date of receipt. Medicare will recoup 25% of Medicare payments owed to the Authority for eleven months. Medicare will then recoup 50% of Medicare payments owed to the Authority for the succeeding six months. Any outstanding balance must then be repaid. During 2021, Medicare recouped approximately \$367,000 related to the MAAP payments received by the Authority in 2020.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

19. Coronavirus (COVID-19)

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

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position. The Authority received approximately \$7,800,000 in grant stimulus funding in fiscal years 2020 and 2021. The Authority recognized approximately \$5,504,000 and \$1,059,000 in 2021 and 2020, respectively.

The recipients of CARES Act funding may be subject to audits. While the Authority currently believes its use of the funds is in compliance with the applicable terms and conditions, there is a possibility that payments could be recouped based on changes in reporting requirements or audit results.

The Authority has received the following program funding:

- \$30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed \$30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received approximately \$283,000 in funding from this distribution.
- \$20 Billion General Distribution (2nd round) - On April 24, 2020, HHS distributed \$20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submissions. The Authority received approximately \$40,000 in funding from this distribution.
- \$10 Billion Rural Distribution - On May 6, 2020, HHS distributed \$10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Authority received approximately \$103,000 in funding from this distribution.

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

19. Coronavirus (COVID-19), Continued

- \$225 Million for COVID-19 Testing - On May 20, 2020, HHS distributed \$225 million to over 4,500 rural health clinics (RHCs) based on a fixed payment of \$49,461 per RHC. The Authority received approximately \$49,000 in funding from this distribution.
- \$4.9 Billion Allocation for Skilled Nursing Facilities (SNFs) - On May 22, 2020, HHS distributed \$4.9 billion to over 13,000 certified SNFs based on a fixed payment of \$50,000 plus \$2,500 per certified bed. The Authority received approximately \$378,000 in funding from this distribution.
- \$10 Billion Safety Net Hospitals Distribution - On June 12, 2020, HHS distributed \$10 billion to almost 800 providers that disproportionately serve Medicaid recipients and the uninsured. The Authority received approximately \$5,000,000 in funding from this distribution.
- \$10 Billion High-Impact Distribution (2nd round) - On July 17, 2020 HHS distributed \$10 billion to hospitals with over 160 COVID-19 admissions between January 1, 2020 and June 10, 2020 one admission per day, or a disproportionate intensity of COVID admissions. The Authority received approximately \$1,300,000 in funding from this distribution.
- \$2.5 Billion Nursing Home Distribution - On August 27, 2020 HHS distributed \$2.5 billion to nursing homes with at least six certified beds based on a fixed payment of \$10,000 plus an additional \$1,450 per bed. The Authority received approximately \$200,000 in funding from this distribution.
- Alabama Small Rural Hospital Improvement Program (SHIP) Grant - In July of 2020, the Alabama Hospital Association announced that the Health Resources and Services Administration's (HRSA) Federal Office of Rural Health Policy received \$180 million to support COVID-19 related activities, of which nearly \$150 million will go to hospitals responding to the health crisis through the SHIP grant mechanism. In 2020, the Authority received approximately \$83,000 in COVID-19 related funding from the SHIP program.
- \$2 Billion Quality Incentive Payment Program - HHS distributed \$2 billion to nursing homes based on COVID infection measures and COVID mortalities. In February 2021, the Authority received approximately \$136,000 in funding from this distribution.

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

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

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

Notes to Financial Statements, Continued
September 30, 2021 and 2020

19. Coronavirus (COVID-19), Continued

The CARES Act also did the following :

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020, and extended to March 31, 2022 with subsequent legislation. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.
- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.

REQUIRED SUPPLEMENTARY INFORMATION



THE BIBB COUNTY HEALTH CARE AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:							
Service cost	\$ 14,241	\$ 17,882	\$ 20,642	\$ 37,181	\$ 33,608	\$ 37,687	\$ 47,830
Interest cost	97,878	100,793	101,700	90,197	83,245	75,259	99,832
Differences between expected and actual experiences	(182,867)	(53,875)	(62,088)	37,244	(20,134)	5,219	(22,450)
Changes of assumptions	-	-	-	63,756	-	(58,367)	50,519
Benefit payments	(89,681)	(102,804)	(70,448)	(47,514)	(980)	(665,722)	(61,129)
Net changes in total pension liability	(160,429)	(38,004)	(10,194)	180,864	95,739	(605,924)	114,602
Total pension liability (beginning)	<u>1,384,011</u>	<u>1,422,015</u>	<u>1,432,209</u>	<u>1,251,345</u>	<u>1,155,606</u>	<u>1,761,530</u>	<u>1,646,928</u>
Total pension liability (ending)	<u>1,223,582</u>	<u>1,384,011</u>	<u>1,422,015</u>	<u>1,432,209</u>	<u>1,251,345</u>	<u>1,155,606</u>	<u>1,761,530</u>
Plan fiduciary net position:							
Contributions - employer	37,000	36,092	25,752	8,821	62,824	-	82,454
Contributions - employees	10,188	14,847	17,600	19,272	28,390	33,076	30,196
Differences between expected and actual experience	-	-	-	-	-	(66,151)	-
Changes in assumptions	-	-	-	-	-	110,026	-
Net investment income	310,507	101,489	4,552	115,914	147,981	66,151	98,169
Benefit payments	(77,531)	(94,154)	(58,148)	(47,514)	(980)	(665,722)	(61,129)
Administrative expense	(12,150)	(8,650)	(12,300)	-	-	-	(20,466)
Net change in plan fiduciary net position	268,014	49,624	(22,544)	96,493	238,215	(522,620)	129,224
Plan fiduciary net position (beginning)	<u>1,331,458</u>	<u>1,281,834</u>	<u>1,304,378</u>	<u>1,207,885</u>	<u>969,670</u>	<u>1,492,290</u>	<u>1,363,066</u>
Plan fiduciary net position (ending)	<u>1,599,472</u>	<u>1,331,458</u>	<u>1,281,834</u>	<u>1,304,378</u>	<u>1,207,885</u>	<u>969,670</u>	<u>1,492,290</u>
Net pension liability (asset) (ending)	\$ <u>(375,890)</u>	\$ <u>52,553</u>	\$ <u>140,181</u>	\$ <u>127,831</u>	\$ <u>43,460</u>	\$ <u>185,936</u>	\$ <u>269,240</u>

Continued

THE BIBB COUNTY HEALTH CARE AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS, Continued
September 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net position as a percentage of pension liability	<u>130.72%</u>	<u>96.20%</u>	<u>90.14%</u>	<u>91.07%</u>	<u>96.53%</u>	<u>83.91%</u>	<u>84.72%</u>
Covered payroll	\$ <u>196,327</u>	\$ <u>258,436</u>	\$ <u>313,031</u>	\$ <u>359,242</u>	\$ <u>566,211</u>	\$ <u>661,516</u>	\$ <u>653,026</u>
Net pension liability as a percentage of payroll	<u>191.46%</u>	<u>20.34%</u>	<u>44.78%</u>	<u>35.58%</u>	<u>7.68%</u>	<u>28.11%</u>	<u>41.23%</u>

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

See independent auditor's report.

THE BIBB COUNTY HEALTH CARE AUTHORITY

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
September 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 24,140	\$ 36,092	\$ 25,752	\$ 91,272	\$ 79,392	\$ -	\$ 91,061
Contributions made in relation to the actuarially determined contribution	<u>37,000</u>	<u>36,092</u>	<u>25,752</u>	<u>8,821</u>	<u>62,824</u>	<u>-</u>	<u>91,061</u>
Contribution deficiency (excess)	\$ (<u>12,860</u>)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>82,451</u>	\$ <u>16,568</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ <u>196,327</u>	\$ <u>258,436</u>	\$ <u>313,031</u>	\$ <u>359,242</u>	\$ <u>566,211</u>	\$ <u>661,516</u>	\$ <u>653,026</u>
Contributions as a percentage of covered payroll	<u>18.85%</u>	<u>13.97%</u>	<u>8.23%</u>	<u>2.46%</u>	<u>11.10%</u>	<u>0.00%</u>	<u>13.94%</u>

Methods and assumptions used to determine contribution rates:

- Valuation date: Actuarially determined contribution rates are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported.
- Actuarial cost method: Entry age normal
- Asset valuation method: Market value
- Inflation: 3.00%
- Salary increases: 3.50% per annum
- Investment rate of return: 7.00%, net of pension plan investment expense, including inflation.
- Retirement age: Normal retirement age
- Mortality rates: 2019 Applicable Mortality Table

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

See independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

The Board of Directors
The Bibb County Health Care Authority
Centreville, Alabama

We have audited the financial statements of The Bibb County Health Care Authority as of and for the years ended September 30, 2021 and 2020, and our report thereon dated June 28, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in this report on page 40, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Driffin & Tucker, LLP

Albany, Georgia
June 28, 2022

Let's Think Together.®

THE BIBB COUNTY HEALTH CARE AUTHORITY
BOARD MEMBERS AND OFFICIALS (UNAUDITED)
September 30, 2021

<u>Name and Address</u>	<u>Position</u>	<u>Expiration of Term</u>
Mr. Brent Belcher	Chairman	February 1, 2026
Ms. Glenda Snelson	Vice-Chairman	February 1, 2024
Ms. Stephanie Kemmer	Secretary/Treasurer	February 1, 2024
Ms. Karen Smith	Member	February 1, 2022
Ms. Collene Parker	Member	February 1, 2022
Mr. Richard Cash	Member	February 1, 2026
Mr. David Rooker	Member	February 1, 2024
Dr. David Allgood	Member	February 1, 2026
Mr. Willie Dunn	Member	February 1, 2022

See independent auditor's report on supplemental information.

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



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

The Board of Directors
The Bibb County Health Care Authority
Centreville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of The Bibb County Health Care Authority as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 28, 2022.

Internal Control Over Financial Reporting

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

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

Continued

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency. [2021-001].

Compliance and Other Matters

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

The Bibb County Health Care Authority's Response to Finding

The Authority's response to the finding 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draffin & Tucker, LLP

Albany, Georgia
June 28, 2022

THE BIBB COUNTY HEALTH CARE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

September 30, 2021

Significant Deficiency 2021-001 (Repeat Finding 2020-001)

<i>Condition:</i>	During the audit, it was noted that the CFO has access that creates a lack of segregation of duties in various processes including the financial reporting, payroll, fixed asset, and accounts payable functions.
<i>Criteria:</i>	To ensure appropriate reporting and physical safeguard of assets, certain responsibilities such as authorization, recordkeeping, and custody should be appropriately segregated. In situations where all three elements cannot be adequately segregated, a robust review process should be implemented.
<i>Cause:</i>	Due to the nature of operations, there are not enough personnel to adequately staff all functions creating the need for key personnel to perform tasks outside their normal duties.
<i>Effect:</i>	While no specific misstatements were noted due to segregation issues, the potential for misappropriation exists when appropriate safeguards are not in place.
<i>Recommendation:</i>	It is recommended that a review process of system access be performed to determine which access is necessary to carry out day-to-day activities and limiting access, where possible. Further, it is recommended that an additional review process be implemented at the CEO or board level for areas where segregation is not possible.
<i>Views of responsible officials and planned corrective actions:</i>	Due to staffing constraints, the Authority is not able to separate all duties. It is the policy of the Authority to ensure appropriate reporting and physical safeguard of assets, certain responsibilities such as authorization, recordkeeping, and custody should be appropriately segregated. Segregation of duties has been given to the extent possible. We are continuing to look at adding additional review processes outside of those that are currently working in the system to mitigate these risks.