

**HOSPITAL AUTHORITY OF HABERSHAM COUNTY AND AFFILIATE  
(d/b/a Habersham Medical Center)**

*Notes to Combined Financial Statements - Continued*

*Years Ended June 30, 2019 and 2018*

**NOTE H--LONG-TERM DEBT**

A summary of long-term debt at June 30, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Revenue Anticipation Certificate		
Series 2014, 2.00% to 5.00% interest rate, due in annual installments ranging from \$765,000 to \$2,280,000 through February 2044.	\$ 36,330,000	\$ 37,135,000
Unamortized Series 2014 issuance premium	1,027,411	1,093,272
Total revenue anticipation certificates	<u>37,357,411</u>	<u>38,228,272</u>
Notes Payable		
Note payable with drawable amounts up to \$3,129,000, interest at 2.75%, due in monthly payments of principal and interest of \$29,882 through August 2026.	2,185,913	2,184,387
Note payable of \$1,000,000 interest at 0.00%, due in monthly payments of principal of \$16,667 through March 2021.	350,000	550,000
Total notes payable	<u>2,535,913</u>	<u>2,734,387</u>
Capital Leases		
Capital lease, interest at 7.50%, principal and interest due in monthly payments of \$2,556 through August 2018, collateralized by leased equipment.	-	5,065
Capital lease, interest at 6.75%, principal and interest due in monthly payments of \$10,183 through August 2018, collateralized by leased equipment.	-	15,298
Capital lease, interest at 8.49%, principal and interest due in monthly payments of \$601 through October 2018, collateralized by leased equipment.	-	2,944
Capital lease, interest at 0.00%, principal due in monthly payments of \$9,276 through August 2022, collateralized by leased equipment.	335,474	446,785
Capital lease, interest at 6.52%, principal and interest due in monthly payments of \$5,065 through June 2020, collateralized by leased equipment.	91,659	160,845

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	<u>2019</u>	<u>2018</u>
Capital lease, interest at 2.78%, principal and interest due in monthly payments of \$5,488 through June 2022, collateralized by leased equipment.	184,932	-
Capital lease, interest at 10.25%, principal and interest due in monthly payments of \$2,577 through April 2022, collateralized by leased equipment.	79,587	-
Capital lease, interest at 2.90%, principal and interest due in monthly payments of \$7,381 through August 2023, collateralized by leased equipment.	360,066	-
Total capital leases	<u>1,051,718</u>	<u>630,937</u>
Total debt	<u>40,945,042</u>	<u>41,593,596</u>
Less: Current installments of long-term debt	<u>1,656,298</u>	<u>1,552,209</u>
Long-term debt excluding current installments	<u>\$ 39,288,744</u>	<u>\$ 40,041,387</u>

A schedule of changes in the Medical Center's long-term debt follows:

	<u>2018</u>			<u>2019</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 37,135,000	\$ -	\$ 805,000	\$ 36,330,000	\$ 816,666
Unamortized premium	1,093,272	-	65,861	1,027,411	65,457
Notes payable	2,734,387	297,922	496,396	2,535,913	501,175
Capital leases	630,937	740,960	320,179	1,051,718	273,000
Total long-term debt	<u>\$ 41,593,596</u>	<u>\$ 1,038,882</u>	<u>\$ 1,687,436</u>	<u>\$ 40,945,042</u>	<u>\$ 1,656,298</u>

	<u>2017</u>			<u>2018</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 37,915,000	\$ -	\$ 780,000	\$ 37,135,000	\$ 795,000
Unamortized premium	1,159,133	-	65,861	1,093,272	65,861
Notes payable	1,287,346	1,994,911	547,870	2,734,387	502,501
Capital leases	362,393	530,269	261,725	630,937	188,847
Total long-term debt	<u>\$ 40,723,872</u>	<u>\$ 2,525,180</u>	<u>\$ 1,655,456</u>	<u>\$ 41,593,596</u>	<u>\$ 1,552,209</u>

In August 2014, the Medical Center issued \$38,680,000 in refunding revenue bonds, the "Series 2014 Revenue Anticipation Certificates." The purpose of the Series 2014 revenue bonds was to refund the remaining portion of 2005 and 2007 Series revenue bonds. A portion of the proceeds

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***Years Ended June 30, 2019 and 2018***

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from the issuance of the Series 2014 revenue bonds was used to refund Habersham County's 2013 Bond.

The Series 2014 Revenue Anticipation Certificates are special limited obligations of the Medical Center and are payable from and are secured by a first lien on the Contract and the Contract Payments from the taxing authority of Habersham County, Georgia. The Medical Center has granted a lien on the Contract and its rights under the Contract including, but not limited to, its right to enforce the County's obligation to make Contract Payments under the Contract.

As a result of the refunding, the Medical Center suffered a loss on the defeasance of the Series 2005 and 2007 revenue bonds of approximately \$4.4 million. The loss was recorded as a deferred outflow of resources, in accordance with GASB Statement No. 65 during 2015, and is being amortized over the original remaining life of the Series 2005 and 2007 revenue bonds.

As a result of the defeasance, the Medical Center increased its total debt service requirement by approximately \$24,067,000, which resulted in an economic loss (the difference between the present value of the debt service payments on the old and new debt) of approximately \$3,969,000.

Beginning in February 2017, monthly payments of at least one-twelfth of the principal and interest becoming due each February are to be made to the Bond Sinking Fund, restricted to payment of principal and interest on the certificates and for agent fees. The Bond Sinking Fund is held and maintained by Habersham County. Principal is payable annually on February 1 and interest is payable semi-annually on August 1 and February 1.

There are certain sinking fund requirements in connection with the 2014 Series certificates that the Medical Center is required to meet. As of June 30, 2019, the Medical Center was in compliance with these requirements.

Under the terms of agreements entered into simultaneously with the issuance of the Series 2014 and the refunded Series 2005 and 2007 Revenue Anticipation Certificates, the County agreed to provide funds to meet the annual principal and interest payments on the certificates. The County provided funds in the amount of approximately \$2,374,000 and \$2,365,000 in 2019 and 2018 as part of this agreement. These funds were reported as nonoperating revenue on the statements of revenue, expenses, and changes in net position.

In April 2016, Habersham County allowed the Medical Center to draw down \$1,000,000, payable with no interest, in 60 equal monthly installments beginning April 1, 2016 and due on the first day of each month, thereafter, until such 60 installment payments have been made.

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*Years Ended June 30, 2019 and 2018*

In August 2016, the Medical Center applied for and received a USDA loan of an amount not to exceed \$3,129,000 for the purchase of new medical equipment. Amounts are only allowed to be drawn from this loan when new equipment is purchased by the Medical Center. The loan is repayable over a period not to exceed ten years from the date of its closing. Interest is accrued at a rate of 2.75%. As of June 30, 2019, the Medical Center has made total draws of approximately \$3,129,000 from this loan. The USDA loan requires a monthly deposit of \$2,988 into a debt service reserve account until the reserve fund has accumulated an amount equal to that needed to pay the principal and interest on the note for the next succeeding year. The other covenants are nonfinancial in nature. The Medical Center believes they are in compliance with the debt covenants.

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

<i>Year Ending June 30:</i>	<i>Long-Term Debt</i>		<i>Capital Lease Obligations</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2020	\$ 1,316,175	\$ 1,614,178	\$ 343,172	\$ 35,703
2021	1,309,711	1,572,642	295,948	18,728
2022	1,208,265	1,521,588	284,790	11,854
2023	1,262,128	1,468,225	113,882	2,506
2024	1,316,210	1,412,393	13,926	837
2025 - 2029	6,248,425	6,208,785	-	-
2030 - 2034	7,029,999	4,827,144	-	-
2035 - 2039	8,630,000	3,227,450	-	-
2040 - 2044	10,545,000	1,309,600	-	-
<b>TOTAL</b>	<b>\$ 38,865,913</b>	<b>\$ 23,162,005</b>	<b>\$ 1,051,718</b>	<b>\$ 69,628</b>

**NOTE I--LEASES**

The Medical Center leases equipment and office space primarily under operating lease agreements. Future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2019 are as follows:

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<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2020	\$ 265,505
2021	192,667
2022	134,460
2023	131,364
Total future minimum lease payments	<u>\$ 723,996</u>

Total rental expense was \$788,893 and \$935,893 for the years ended June 30, 2019 and 2018, respectively.

**NOTE J--MALPRACTICE INSURANCE**

The Medical Center is covered by a general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2019 and 2018 are \$1,000,000 per occurrence and \$3,000,000 in aggregate. In addition, the Medical Center has up to \$5,000,000 in umbrella coverage. The Medical Center uses a third-party administrator to review and analyze incidents that may result in a claim against the Medical Center.

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

**NOTE K--EMPLOYEE HEALTH INSURANCE**

The Authority has a self-insurance program under which a third-party administrator processes and pays claims. The Authority reimburses the third-party administrator for claims incurred and paid. Total expenses relative to this plan were approximately \$1,622,453 and \$2,473,000 in 2019 and 2018, respectively.

**NOTE L--RETIREMENT PLAN**

The Medical Center has a defined contribution retirement savings plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate in the Plan after they have completed six months of service and have attained age 21, and are eligible to participate in discretionary employer contributions to the Plan if they have completed one year of service. Employer contributions include a discretionary amount as determined by the Board of Trustees