

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 31, 2013

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. The Series 2013 Certificates may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Certificates in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: Moody's: "___"
Standard & Poor's: "___"
See "MISCELLANEOUS -Ratings" herein.

In the opinion of Bond Counsel, under existing law subject to certain limitations and assuming compliance with the tax covenants described herein, interest on the Series 2013 Certificates is excluded from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2013 Certificates is exempt from present State of Georgia income taxation. See, however, "LEGAL MATTERS – Tax Exemption" herein for a brief description of certain other possible federal tax consequences to certain recipients of interest on the Series 2013 Certificates.

\$35,000,000* HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA Revenue Anticipation Certificates, Series 2013

Dated: Date of Issuance

Due: July 1, as shown below

The HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES (the "Series 2013 Certificates") will be issued in registered form in the name of Cede and Co., as the nominee for The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Series 2013 Certificates must be made in book-entry form only in authorized denominations of \$5,000 or any integral multiple thereof. Individual purchasers ("Beneficial Owners") of the Series 2013 Certificates will not receive physical delivery of the Series 2013 Certificates. Transfers of the Series 2013 Certificates will be effected through a book-entry system as described herein.

Interest on the Series 2013 Certificates will be payable semi-annually on January 1 and July 1 of each year (each an "Interest Payment Date"), beginning July 1, 2013. So long as DTC or its nominee is the registered owner of the Series 2013 Certificates, disbursements of payments of principal of and interest on the Series 2013 Certificates to DTC is the responsibility of U.S. Bank National Association, Atlanta, Georgia, as Paying Agent; disbursements of such payments to DTC Participants is the responsibility of DTC; and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants as more fully described herein. See "THE SERIES 2013 CERTIFICATES - Book-Entry Only System of Delivery of the Series 2013 Certificates" herein.

Certain of the Series 2013 Certificates are subject to optional, mandatory and extraordinary redemption prior to their respective maturities, as more fully described herein. See "THE SERIES 2013 CERTIFICATES - Redemption Features" herein.*

The Hospital Authority of Columbus, Georgia (the "Authority") is issuing the Series 2013 Certificates to provide funds necessary to (i) finance a portion of the cost of acquiring, constructing and equipping a new facility for Muscogee Manor and Rehabilitation Center and (ii) pay the fees and expenses incurred in connection with the issuance of the Series 2013 Certificates. The Series 2013 Certificates are special obligations of the Authority, the payment of the principal of and interest on which is secured by a first and prior pledge of and lien on the gross revenues derived by the Authority from the ownership and operation of Muscogee Manor and Rehabilitation Center, Cobis Personal Care Home, Azalea Trace Nursing Center, and Muscogee Home Health, which includes Muscogee Private Duty (collectively, the "Current Facilities") and the new Muscogee Manor and Rehabilitation Center, upon completion (the "New Facilities" and together with the Current Facilities, the "Health Care System"). In addition, the Authority will enter into a contract with Columbus, Georgia ("Columbus"), dated as of the date of issuance of the Series 2013 Certificates (the "Contract"), wherein Columbus is obligated to make payments to the Authority sufficient to pay the principal of and interest on the Series 2013 Certificates as the same become due and payable, to the extent the revenues of the Health Care System pledged to such payment are insufficient for such purposes. Columbus is obligated under the Contract to levy an annual *ad valorem* tax on all taxable property located within the territorial limits of Columbus, at a rate not to exceed four mills of the seven mill limit authorized under the Hospital Authorities Law of Georgia, as may be necessary to produce in each year revenues which are sufficient to fulfill Columbus's obligations under the Contract. **The Series 2013 Certificates do not constitute a debt of Columbus or of the State of Georgia, or any political subdivision thereof, within the meaning of any pertinent constitutional or statutory limitation.** See "THE SERIES 2013 CERTIFICATES - Security and Sources of Payment for the Series 2013 Certificates" herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SERIES 2013 CERTIFICATES OR THE SECURITY THEREFOR. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2013 Certificates are offered when, as and if issued by the Authority, subject to approval of legality of the Series 2013 Certificates by Gray Pannell & Woodward LLP, Savannah, Georgia, Bond Counsel, and certain other conditions, including validation by the Superior Court of Muscogee County, Georgia. Certain legal matters will be passed upon for the Authority by its counsel, Hatcher, Stubbs, Land, Hollis & Rothschild, LLP, Columbus, Georgia, and for Columbus by its counsel, Clifton Fay, Esq., Columbus, Georgia. Gray Pannell & Woodward LLP, Savannah, Georgia is acting as Disclosure Counsel to the Authority. Davenport & Company LLC is serving as Financial Advisor. Delivery of the Series 2013 Certificates in definitive form is expected to be made through The Depository Trust Company, New York, New York, on or about _____, 2013.

**BIDS ARE INVITED FOR THE PURCHASE OF THE SERIES 2013 CERTIFICATES
ON FEBRUARY 13, 2013
AS PROVIDED IN THE OFFICIAL NOTICE OF SALE**

Dated: _____, 2013

*Preliminary, subject to change

MATURITY SCHEDULE

\$35,000,000*

HOSPITAL AUTHORITY OF COLUMBUS (GEORGIA)
REVENUE ANTICIPATION CERTIFICATES, SERIES 2013

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>CUSIP</u>
2015	\$1,380,000			
2016	1,395,000			
2017	1,420,000			
2018	1,445,000			
2019	1,475,000			
2020	1,505,000			
2021	1,540,000			
2020	1,580,000			
2023	1,625,000			
2024	1,665,000			
2025	1,715,000			
2026	1,765,000			
2027	1,825,000			
2028	1,880,000			
2029	1,945,000			
2030	2,015,000			
2031	2,090,000			
2032	2,165,000			
2033	2,245,000			
2034	2,325,000			

HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA

Members of the Authority

James Webster, *Chairman*

Sarah Banks-Lang

Edward Gaffney, III

Aimee Horstman

Jim Laycock

Ernest Smallman, IV

Betty Tatum

Paul Todd

Lisa White

George Mize, *Secretary* (non-voting member)

Samuel Frank Morast (non-voting member)

Counsel to the Hospital Authority

Hatcher, Stubbs, Land, Hollis & Rothschild, LLP
Columbus, Georgia

Muscogee Manor and Rehabilitation Center Administration

Samuel Frank Morast, *President*

Britt Hayes, *Vice President*

Elisabeth Peeples, *Administrative Assistant*

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA

Mayor

Teresa P. Tomlinson

Councilors

R. Gary Allen

Mike Baker

Jerry "Pops" Barnes

Glenn Davis

Berry "Skip" Henderson

Bruce Huff

C.E. "Red" McDaniel

Judy Thomas

Evelyn Pugh

Evelyn "Mimi" Woodson

Columbus Officers

Isaiah Hugley, *City Manager*

David Arrington, *Deputy City Manager*

Lisa Goodwin, *Deputy City Manager*

Pamela Hodge, *Finance Director*

Clifton Fay, Esq., *City Attorney*

BOND COUNSEL AND DISCLOSURE COUNSEL

Gray Pannell & Woodward LLP
Savannah, Georgia

FINANCIAL ADVISOR

Davenport & Company LLC
Woodstock, Georgia

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ENDED JUNE 30, 2012

APPENDIX B: FINANCIAL STATEMENTS OF THE CONSOLIDATED GOVERNMENT OF
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APPENDIX C: FORMS OF THE RESOLUTION AND THE CONTRACT

APPENDIX D: FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E: PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

APPENDIX F: INVESTMENT AND RISK CONSIDERATIONS

APPENDIX G: FORM OF OFFICIAL NOTICE OF SALE

No dealer, broker, salesman or other person has been authorized by the Authority, Columbus, any underwriter, or any other person to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, Columbus, any underwriter, or any other person. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority and Columbus. Sources other than the Authority and Columbus are believed to be reliable, but are not guaranteed as to accuracy or completeness by the Authority and Columbus. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in any of the information set forth herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The Series 2013 Certificates have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The Resolution (as defined herein) has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Act.

This Preliminary Official Statement has been deemed final by the Authority and Columbus for purposes of Securities Exchange Act Rule 15c2-12, except for the permitted omissions described in paragraph (b)(1) of Rule 15c2-12.

OFFICIAL STATEMENT

\$35,000,000*

HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA
REVENUE ANTICIPATION CERTIFICATES, SERIES 2013

INTRODUCTION

This Official Statement of the Hospital Authority of Columbus, Georgia (the “Authority” or the “Issuer”), which includes the cover page and the Appendices hereto, sets forth information concerning the Authority, Columbus, Georgia (“Columbus”) and the proposed issuance of the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013 (the “Series 2013 Certificates”).

The information contained in this section entitled “INTRODUCTION” is a brief description of the terms of and security for the Series 2013 Certificates and does not purport to be comprehensive or definitive. A full review of the entire Official Statement, as well as the documents summarized or described herein, should be made. All references herein to, or summaries of, the Resolution and the Contract (each hereinafter defined) or other documents or official acts are qualified in their entirety by the exact terms of such documents or official acts, copies of which are available from the Authority. All references herein to, or summaries of, the Series 2013 Certificates are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Resolution. All undefined, capitalized terms used herein shall have the meaning ascribed to such terms in the Resolution unless the context requires otherwise.

All of the Series 2013 Certificates will be issued as tax-exempt obligations, referred to herein as “Tax-Exempt Bonds.” See “LEGAL MATTERS –Tax Exemption” herein for more detailed information.

The Series 2013 Certificates will be sold pursuant to a competitive sale as provided in the Official Notice of sale attached hereto as “Appendix G: FORM OF OFFICIAL NOTICE OF SALE.”

The Authority

The Authority is a public body corporate and politic and has been created and is existing under the laws of the State of Georgia (the “State”). The Authority owns and operates Muscogee Manor and Rehabilitation Center, Cobis Personal Care Home, Azalea Trace Nursing Center, and Muscogee Home Health, which includes Muscogee Private Duty (collectively, the “Current Facilities”). For more detailed information, see “THE AUTHORITY” herein.

Columbus

Columbus, Georgia, is a political subdivision of the State of Georgia, created in 1971 pursuant to an amendment to the Constitution of the State which authorized the consolidation of the City of Columbus and Muscogee County. Columbus is the third largest city in the State and is located in the central western portion of the State bordering on the Alabama state line, approximately 110 miles southwest of Atlanta, Georgia, and 85 miles east of Montgomery, Alabama. For more detailed information, see “COLUMBUS, GEORGIA” herein.

Purpose of the Series 2013 Certificates

The Series 2013 Certificates are being issued to provide the funds necessary to (i) finance the cost of acquiring, constructing and equipping a new facility for Muscogee Manor and Rehabilitation Center (the “New Facilities”) and (ii) pay the fees and expenses incurred in connection with the issuance of the Series 2013 Certificates. For more detailed information, see “THE SERIES 2013 CERTIFICATES - Estimated Sources and Uses of Funds; -New Facilities.”

Security and Sources of Payment for the Series 2013 Certificates

The Series 2013 Certificates will be special limited obligations of the Authority, the principal of and interest on which are payable from and secured by a first priority pledge of and lien on the gross revenues derived by the Authority from its ownership and operation of the Current Facilities and when completed, the New Facilities (collectively, the “Health Care System”). The Series 2013 Certificates will be further secured by a contract to be entered into between the Authority and Columbus, dated as of

* The use of the asterisk (*) throughout this Preliminary Official Statement indicates information which is subject to change.

the date of issuance and delivery of the Series 2013 Certificates (the “**Contract**”), whereby Columbus has agreed to levy an annual *ad valorem* tax on all taxable property located within the territorial limits of Columbus, at a rate not to exceed four (4) mills of the seven (7) mills limit authorized under the Hospital Authorities Law of Georgia, as may be necessary to produce in each year revenues which are sufficient to pay the principal of and interest on the Series 2013 Certificates. For more detailed information, see “THE SERIES 2013 CERTIFICATES - Security and Sources of Payment for the Series 2013 Certificates” and “Appendix C: FORMS OF THE RESOLUTION AND CONTRACT.”

Description of the Series 2013 Certificates

*Redemption.** Certain of the Series 2013 Certificates are subject to optional, mandatory and extraordinary redemption by the Authority prior to their respective maturities. See, “THE SERIES 2013 CERTIFICATES - Redemption Features.”

Denominations. Individual purchases of the Series 2013 Certificates may be made in book-entry form only in denominations of \$5,000 or any higher integral multiple thereof.

Registration and Transfer. The Series 2013 Certificates will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Series 2013 Certificates.

Manner of Making Payments. So long as the Book-Entry System is in effect, the principal of and premium (if any) and interest on, the Series 2013 Certificates are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC which, in turn, will remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners (as defined herein).

For more detailed information on the Series 2013 Certificates, see “THE SERIES 2013 CERTIFICATES.”

Parity Certificates

The Authority may issue additional obligations on a parity with the lien of the Series 2013 Certificates. See “THE SERIES 2013 CERTIFICATES - Parity Certificates” and “Appendix C: FORMS OF THE RESOLUTION AND CONTRACT.”

Tax Status

In the opinion of Bond Counsel, subject to the limitations and conditions described under “**LEGAL MATTERS – Tax Exemption**,” interest on the Series 2013 Certificates is exempt from present State of Georgia income taxation, is excluded from gross income for federal income tax purposes, and will not be an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See Appendix E for the proposed form of opinion of Gray Pannell & Woodward LLP, Bond Counsel, to be delivered in connection with the issuance of the Series 2013 Certificates. For a more complete discussion of such opinions and certain other tax consequences of owning the Series 2013 Certificates, see “**LEGAL MATTERS – Tax Exemption**” herein.

Registrar and Paying Agent

U.S. Bank National Association, in the City of Atlanta, Georgia, will act as Registrar and Paying Agent for the Series 2013 Certificates.

Professionals Involved in the Offering

Certain legal matters pertaining to the Authority and its authorization and issuance of the Series 2013 Certificates are subject to the approving opinion of Gray Pannell & Woodward LLP, Savannah, Georgia, Bond Counsel. Certain other legal matters will be passed on for the Authority by its counsel, Hatcher, Stubbs, Land, Hollis & Rothschild, LLP, Columbus, Georgia, and for Columbus by its counsel, Clifton Fay, Esq., Columbus, Georgia. Gray Pannell & Woodward LLP, Savannah, Georgia is acting as Disclosure Counsel to the Authority. The financial statements of the Authority as of June 30, 2012, and for the year then ended, attached hereto as Appendix A, have been audited by Mauldin & Jenkins, LLC, Certified Public Accountants, Macon, Georgia, to the extent and for the period indicated in its report thereon which appears in Appendix A hereto. The general purpose financial statements of Columbus as of

June 30, 2012, and for the year then ended, attached hereto as Appendix B, have been audited by Albright, Fortenberry & Ninas, LLP, PC, Certified Public Accountant, Columbus, Georgia, to the extent and for the period indicated in its report thereon which appears in Appendix B hereto.

Terms of the Offering

Authority for Issuance. The Series 2013 Certificates are to be issued under authority of the Constitution of the State of Georgia, the Hospital Authorities Law of Georgia, the Revenue Bond Law of Georgia, and a resolution adopted by the Authority on January 17, 2013, as supplemented and amended by a supplemental resolution adopted by the Authority on _____, 2013 (together, the “**Resolution**”).

Offering. The Series 2013 Certificates are offered when, as, and if issued by the Authority and accepted by the Underwriter, subject to prior sale and to withdrawal or modification of the offer without notice, to approval of legality by Gray Pannell & Woodward LLP, Savannah, Georgia, Bond Counsel, and to validation by the Superior Court of Muscogee County.

Delivery. The Series 2013 Certificates are expected to be delivered in definitive form through The Depository Trust Company in New York, New York on or about _____, 2013.

Continuing Disclosure

The Authority and Columbus will both sign a Continuing Disclosure Certificate as of the date of the issuance and delivery of the Series 2013 Certificates. This certificate allows the Underwriter of the Series 2013 Certificates to comply with Securities and Exchange Commission Rule 15c2-12(b)(5). See “**MISCELLANEOUS - Continuing Disclosure**” and “**Appendix D: FORM OF THE CONTINUING DISCLOSURE CERTIFICATE**.”

Additional Information

This Official Statement speaks only as of its date and the information contained herein is subject to change.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Series 2013 Certificates, the Authority, Columbus, and the security and sources of payment for the Series 2013 Certificates. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2013 Certificates are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available upon request, prior to the delivery of the Series 2013 Certificates, from Davenport & Company LLC, 128 Myrtle Road, Woodstock, Georgia 30189, telephone (678) 445-9495, Attention: Robert L. Morrison, and after delivery of the Series 2013 Certificates upon payment to the Authority of a charge for copying, mailing and handling, from Hospital Authority of Columbus, Georgia, Muscogee Manor Center, 7150 Manor Road, Columbus, Georgia 31907, telephone (706) 256-2430.

No dealer, broker, salesman or other person has been authorized by the Authority, Columbus or the Financial Advisor to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, Columbus, the Financial Advisor, or any other person. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority and Columbus. The information set forth herein has been obtained by the Authority and Columbus from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Authority, Columbus or the Financial Advisor. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or Columbus since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

THE SERIES 2013 CERTIFICATES

Description

The Series 2013 Certificates, dated as of the date of issuance and delivery thereof, will bear interest at the rates per annum, calculated on the basis of a 360-day year consisting of twelve 30-day months, and mature in the amounts and at the times set forth on the inside cover page hereof. Interest shall be payable semi-annually on January 1 and July 1 of each year beginning July 1, 2013.

The Series 2013 Certificates are to be in fully registered form, registered as to the payment of principal and interest on the registration books kept by the Registrar. The registered owners thereof shall be treated as the absolute owners thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of the sums so paid. No transfer of any Series 2013 Certificate shall be valid unless such transfer is registered on the registration books kept by the Registrar by the registered owner or such owner's duly authorized attorney. The Series 2013 Certificates shall be subject to successive registrations or transfer at the owner's option.

Book-Entry Only System of Delivery of the Series 2013 Certificates

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2013 Certificates. The Series 2013 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2013 Certificates, in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of § 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each certificate (a "**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Series 2013 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2013 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any

change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of Series 2013 Certificates may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2013 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2013 Certificates purchased or tendered, through its Participant, to Paying Agent, and shall effect delivery of such Series 2013 Certificates by causing the Direct Participant to transfer the Participant's interest in the Series 2013 Certificates, on DTC's records, to Paying Agent. The requirement for physical delivery of Series 2013 Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2013 Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2013 Certificates at any time by giving reasonable notice to the Authority or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the accuracy thereof.

Authority for Issuance of the Series 2013 Certificates

The Series 2013 Certificates are being issued and secured pursuant to the authority granted by (i) the Constitution of the State of Georgia, (ii) Article 4 of Chapter 7 of Title 31 of the Official Code of Georgia Annotated, known as the "Hospital Authorities Law" (the "**Hospital Authorities Law**"), (iii) Article 3 of Chapter 82 of Title 36 of the Official Code of Georgia Annotated (the "**Revenue Bond Law**"), and (iv) the provisions of the Resolution.

The Hospital Authorities Law authorizes the Authority:

- (1) to issue its revenue anticipation certificates for the purpose of paying all or any part of the cost of the acquisition, construction, alteration, repair, modernization, and other charges incident thereto in connection with any facilities or project, which include hospitals, health care facilities, nursing homes, rehabilitation centers, extended care facilities, and other public health facilities;
- (2) to acquire, operate, construct, reconstruct, improve, alter, and repair projects;
- (3) to make and execute contracts and other instruments necessary to exercise its powers; and
- (4) as security for repayment of its revenue anticipation certificates, to mortgage, pledge, or assign any revenue, income, tolls, charges, or fees received by it and to hypothecate any revenues received from political subdivisions.

Article IX, Section III, Paragraph I(a) of the Constitution of the State of Georgia of 1983 authorizes any county of the State of Georgia to contract for any period not exceeding 50 years with any public corporation or public authority for joint services, for the provision of services, or for the joint or separate use of facilities or equipment, if such contract deals with activities, services, or facilities which the contracting parties are authorized by law to undertake or provide. Article IX, Section III, Paragraph I(c) of the Constitution of the State of Georgia of 1983 authorizes any county to contract with any public corporation or public authority for the care, maintenance, and hospitalization of its indigent sick and to, as a part of such contract, agree to pay for the cost of acquisition, construction, modernization, or repairs of necessary land, buildings, and facilities by such public corporation or public authority and provide for the payment of such services and the cost to such public corporation or public authority of acquisition, construction, modernization, or repair of land, buildings, and facilities from revenues realized by such county from any taxes authorized by the Constitution or revenues derived from any other source.

The Hospital Authorities Law authorizes Columbus to:

- (1) enter into contracts with hospital authorities for such periods of time not exceeding 40 years as shall be necessary to provide for the continued maintenance and use of the facilities of such hospital authorities, which may obligate Columbus to pay for such services a fixed and definite minimum sum each year based or calculated upon the anticipated cost of such services including the cost and expense of making the facilities of such hospital authorities available for the furnishing and performance of such services;
- (2) include, without limitation, in the determination of the cost of services and facilities furnished pursuant to the contracts described in clause (1) above (a) the cost of acquiring, constructing, altering, repairing, renovating, improving, and equipping projects, (b) principal, interest, and sinking fund and other reserve requirements in connection with the issuance of revenue certificates by hospital authorities to finance, in whole or in part, the cost of projects and the payment of expenses incident thereto, (c) the cost of operating, maintaining, and repairing such projects, and (d) the cost of retiring, refinancing, or refunding any outstanding debt or other obligation of any nature incurred by hospital authorities;
- (3) provide annually for the payment of the services and facilities of the hospital authorities used by Columbus or its residents pursuant to the contracts described in clause (1) above out of general funds of Columbus or out of tax revenues realized for the purpose of providing for the indigent sick and others entitled to the use of the services and facilities of the hospital authorities; and

(4) for the purpose of providing the tax revenues described in clause (3) above, levy an *ad valorem* tax not exceeding seven mills, exclusive of all other taxes which may be levied by Columbus, from which revenues when realized there must be appropriated annually sums sufficient to pay for the cost of the use of the services and facilities of hospital authorities by Columbus or its residents pursuant to the provisions and covenants of the contracts described in clause (1) above.

The execution, delivery and performance of the Contract by Columbus was authorized and approved pursuant to a resolution adopted by its governing body on January 22, 2013.

Validation of the Series 2013 Certificates

In accordance with the Hospital Authorities Law, the Series 2013 Certificates shall be confirmed and validated by the Superior Court of Muscogee County in accordance with the procedures of the Revenue Bond Law. The Contract to be entered into between the Authority and Columbus, which is pledged to the security and payment of the Series 2013 Certificates, shall be submitted as an integral part of the validation proceedings. The Superior Court of Muscogee County shall make a declaratory adjudication of the validity and binding effect of the Contract and determine that the Contract is in all respects valid and binding upon Columbus and the Authority. Columbus shall be made a party to the validation proceedings and the adjudication of the validity of the Contract will conclusively bind Columbus to its validity and enforceability. The Hospital Authorities Law provides that an adjudication as to the validity of the Contract shall be conclusive and binding upon Columbus and the resident citizens and property owners thereof.

Estimated Sources and Uses of Funds*

Sources of Funds:

Proceeds from Sale of Series 2013 Certificates	\$ _____
Original Issue [Net] Premium.....	_____
Construction Fund Earnings plus Cash on Hand	_____
Total.....	\$ _____

Use of Funds:

Deposit to Construction Fund	\$ _____
Underwriter's Discount.....	_____
Capitalized Interest (12 months).....	_____
Estimated Costs of Issuance ¹	_____
Total.....	\$ _____

¹ Includes legal and accounting fees, [premium for certificate insurance,] printing costs, validation court costs, rating agency fees, and other estimated fees and expenses associated with the issuance of the Series 2013 Certificates.

The New Facilities

After thorough investigation and study, the Authority has determined that in order to continue to provide skilled and intermediate long-term care nursing services, respite care nursing services, personal care services, and day care services to persons requiring such services by reason of age or physical impairment within its area of operation, including Columbus' population, it is necessary and desirable to improve the existing Health Care System. The construction of improvements to the New Facilities will consist of the following: a new 200-bed facility containing 76 private rooms, 62 semi-private rooms, a therapy gym, and administrative areas. The New Facilities will embrace "culture change" to include living rooms, dining rooms, dietary services, and activities in each unit, with a unit size variance from 32-42 beds. The building will have four wings in two, two-story buildings, and the remaining part of the facility will be single-story.

The acquisition, construction, and equipping of the New Facilities has been, is, and will be all in accordance with or substantially in accordance with plans, specifications, and recommendations which are on file in the offices of the Authority. The Authority estimates that the construction period for the New Facilities will be 18 months. Although the Authority believes this construction period is reasonable, unforeseen circumstances can occur in the course of construction which may delay completion of the New Facilities.

Investment of Moneys

Construction Fund Moneys. The moneys in the Construction Fund will be held by Branch Banking and Trust Company (BB&T) in the City of Columbus, Georgia, as the Construction Fund Depository (the “**Construction Fund Depository**”) and will be disbursed by the Construction Fund Depository to pay the costs of the New Facilities. Moneys in the Construction Fund which are not needed at the time to pay current obligations during the construction and equipping of the New Facilities may be invested, upon direction to the Construction Fund Depository from the Authority in any of the following investments allowed by O.C.G.A. § 36-82-7, and no others:

(a) Investments and reinvestments in the local government investment pool created in O.C.G.A. § 36-83-8; or

(b) Investment in the following securities and no others:

(1) Bonds or other obligations of the issuer, or bonds or obligations of the State of Georgia or other states or other counties, municipal corporations, and political subdivisions of the State of Georgia;

(2) Bonds or other obligations of the United States or of subsidiary corporations of the United States government, which are fully guaranteed by such government;

(3) Obligations of and obligations guaranteed by agencies or instrumentalities of the United States government, including those issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, and any other such agency or instrumentality now or hereafter in existence; provided, however, that all such obligations shall have a current credit rating from a nationally recognized rating service of at least one of the three highest rating categories available and have a nationally recognized market;

(4) Bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan or payment agreement with the United States government;

(5) Certificates of deposit of national or state banks located within the State of Georgia which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan or savings and loan associations located within the State of Georgia which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian or trustee for any proceeds of the Bonds; provided, however, that the portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within the State of Georgia or with a trust office within the State of Georgia, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State of Georgia or other states or any county or municipal corporation in the State of Georgia, obligations of the United States or subsidiary corporations included in paragraph (2) above, obligations of the agencies and instrumentalities of the United States government included in paragraph (3) above, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (4) above;

(6) Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(A) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraphs (2) and (3) above and repurchase agreements fully collateralized by any such obligations;

(B) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(C) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(D) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State of Georgia; and

(7) Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, provided that each such interest-bearing time deposit, repurchase agreement, reverse repurchase agreement, rate guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys.

Other Moneys. Moneys in the Revenue Fund, Sinking Fund, Debt Service Reserve Fund and in the Capital Improvement Fund shall be invested pursuant to O.C.G.A. § 36-80-3 and O.C.G.A. § 36-83-4.

O.C.G.A. § 36-80-3 provides that the governing body of any local governmental unit or political subdivision, or the financial officer of such local governmental unit or political subdivision to whom investment authority is delegated pursuant to O.C.G.A. § 36-80-4, in addition to other legal investments, may invest and reinvest money subject to its control and jurisdiction in:

(a) obligations of the United States and of its agencies and instrumentalities;

(b) bonds or certificates of indebtedness of the State of Georgia and of its agencies and instrumentalities; and

(c) certificates of deposit of banks which have deposits insured by the Federal Deposit Insurance Corporation ("FDIC"); provided, however, that portion of such certificates of deposit in excess of the amount insured by the FDIC must be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to that portion of such certificates of deposit which would be uninsured.

O.C.G.A. § 36-83-4 provides that the governing body of a local governmental unit or political subdivision, or the financial officer of a local governmental unit or political subdivision to whom investment authority is delegated, may invest and reinvest money subject to its control and jurisdiction in:

(a) obligations of the State or of other states;

(b) obligations issued by the United States government;

(c) obligations fully insured or guaranteed by the United States government or by one of its agencies;

(d) obligations of any corporation of the United States government;

(e) prime bankers' acceptances;

(f) the local government investment pool established by O.C.G.A. § 36-83-8;

- (g) repurchase agreements; and
- (h) obligations of other political subdivisions of the State.

Construction Fund Disbursements

All disbursements from the Construction Fund shall be made upon checks signed by the Authority Representative, but before such person shall sign any such checks (other than checks issued in payment for the Costs of Issuance, which shall not require the hereinafter described requisition and certificate but shall require an invoice for such payment) there shall be filed with the Authority a requisition certificate signed by the Project Superintendent (the person or persons so designated by the Authority) certifying (i) each amount to be paid and the name of the person, firm or corporation to whom payment is due, (ii) that an obligation has been incurred by the Authority, that the same is a proper charge against the Construction Fund and has not been paid, and stating that the bill, invoice or statement for such obligation, or a copy thereof, is on file in the office of the Project Superintendent, (iii) that the Project Superintendent has no notice of any vendor's, mechanic's, or other liens or rights to liens, chattel mortgages or conditional sales contracts which should be satisfied before such payment is made, (iv) that such requisition contains no item representing payment on account or any retained percentages (other than any percentages required by the State to be retained) which the Authority, at the date of such certificate, is entitled to retain, and (v) that insofar as such obligation was incurred for work, material, supplies or equipment in connection with the New Facilities, such work was actually performed, or such material, supplies or equipment was actually installed in or about the construction or delivered at the site of the work for that purpose.

Security and Sources of Payment for the Series 2013 Certificates

The Series 2013 Certificates will be secured by a pledge of and lien on, and shall be solely payable from, the gross revenues arising out of or in connection with the Authority's ownership and operation of the Health Care System and from payments to be received from Columbus pursuant to the Contract. For a description of the Health Care System, see "THE AUTHORITY – Health Care System."

The Authority is obligated to fix rates and charges in such amounts as will produce revenues sufficient, together with all other funds, to pay, in the following order: (i) money sufficient to pay principal and interest on any outstanding certificates and/or obligations of the Authority (ii) next, to provide for the maintenance and operation of the Health Care System, (iii) next, to create and maintain reserves sufficient to meet the principal of and interest payments due on any outstanding certificates and/or obligations in any one year after the issuance thereof, and (iv) then, in order to provide reasonable reserves for the improvement, replacement or expansion of the present facilities or services of the Health Care System.

The Contract. Pursuant to the Contract, Columbus is obligated to levy on all taxable property within its boundaries an annual *ad valorem* tax of up to four (4) mills, to the extent necessary to make payments in amounts sufficient to pay the principal of, premium, if any, and interest on the Series 2013 Certificates. Columbus's obligation to make such payments is absolute and unconditional and shall constitute a general obligation and pledge of the full faith and credit of Columbus.

Pursuant to the Contract, all payments received by the Authority from Columbus pursuant to the Contract for payment of the Series 2013 Certificates will be deposited immediately upon receipt into the Sinking Fund. Such payments will be held separate and apart from other funds of the Authority and will not be used for any purpose other than the payment of the principal of and premium, if any, and interest on the Series 2013 Certificates and related expenses.

Any payments made by Columbus pursuant to the Contract to defray the cost of operating, maintaining, and repairing the Health Care System shall be deposited in the Revenue Fund and then applied to such purposes or they may be directly applied to such purposes.

The Series 2013 Certificates will not be deemed to constitute a debt of Columbus, the State of Georgia, or any political subdivision thereof, including the Authority, nor a pledge of the faith and credit of Columbus, the State of Georgia, or any political subdivision thereof, nor shall Columbus, the State of Georgia, or any political subdivision thereof, including the Authority, be subject to any pecuniary liability thereon.

For a more detailed description of the security pledged for payment of the Series 2013 Certificates, see "Appendix C: FORM OF THE RESOLUTION AND THE CONTRACT."

Parity Certificates

The Authority may issue Parity Certificates ranking as to the charge or lien on the Gross Revenues (as defined in the Resolution) of the Health Care System on a parity with the Series 2013 Certificates provided certain conditions are met. For more detailed information on the conditions that must be met for parity obligations to be issued see "Appendix C: FORM OF THE RESOLUTION AND THE CONTRACT."

Redemption Features*

Optional Redemption. Series 2013 Certificates maturing on July 1, 2024 and thereafter may be redeemed prior to their respective maturities at the option of the Authority, in whole or in part at any time, beginning July 1, 2023 (if less than all of the Series 2013 Certificates of a maturity are to be redeemed, the actual Series 2013 Certificates of such maturity shall be selected by lot in such manner as may be designated by the Paying Agent) from any moneys available therefor. Series 2013 Certificates which are subject to redemption are callable in such order as may be designated by the Authority. Such redemption shall be made upon payment of 100% of the principal amount of Series 2013 Certificates to be redeemed prior to maturity plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Series 2013 Certificates maturing on July 1, 20__ are subject to scheduled mandatory redemption prior to maturity in part (the actual Series 2013 Certificates to be redeemed to be selected by lot in such manner as the Registrar may determine) at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on July 1 in the year and in the principal amount set forth below (the July 1, 20__ amount to be paid at maturity rather than redeemed):

<u>Year</u>	<u>Principal Amount</u>
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Extraordinary Redemption. The Series 2013 Certificates are subject to extraordinary redemption prior to maturity, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, if any of the following shall have occurred: (a) the Health Care System shall have been damaged or destroyed by fire or other casualty to such extent that, in the opinion of the Authority, (i) the Health Care System cannot be reasonably restored within a period of six (6) consecutive months to substantially the condition thereof immediately preceding such damage or destruction or (ii) the Health Care System is unfit for use for a period of six (6) consecutive months or (iii) the cost of reconstruction would exceed the total amount of net proceeds of insurance carried thereon by more than \$250,000; or (b) title to a substantial portion of the Health Care System shall fail or title to, or the temporary use of, a substantial portion of the Health Care System shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm, or corporation acting under governmental authority and such a failure of title or taking or takings result, in the opinion of the Authority, in the Health Care System being unfit for occupancy for a period of six (6) consecutive months.

Notice of Redemption. Notice of any optional redemption or extraordinary redemption of Series 2013 Certificates shall be given by the Authority to the Registrar and Paying Agent at least 35 days prior to the date fixed for redemption and notice of any redemption of Series 2013 Certificates shall be given by the Registrar and Paying Agent one time not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Holders of each of the Series 2013 Certificates being called for redemption by first class or registered or certified mail as the Paying Agent shall determine is necessary at the address shown on the register of the Registrar as of 45 days prior to the date fixed for redemption. Said notice shall contain the complete official name of the Series 2013 Certificates, CUSIP number, certificate numbers, amounts called of each certificate (for partial calls), redemption date, redemption price, the Paying Agent's name and address (with contact person and phone number), date of issue of the Series 2013 Certificates, interest rate and maturity date. Said notice shall also be given by certified mail, return

receipt requested, or by electronic means, not less than 30 days nor more than 60 days prior to the date fixed for redemption, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System or as may be required by applicable law or regulation at the time of giving such notice; provided however, failure to give such notice shall not affect the validity of the proceedings for redemption. No transfer or exchange of any Series 2013 Certificates so called for redemption shall be allowed. In the event any Holder of any Series 2013 Certificates being redeemed pursuant to the provisions the Resolution shall fail to present for redemption any such Series 2013 Certificate within sixty days after the date fixed for redemption, a second notice of the redemption of such Certificate shall be given to said owner at the address of said owner as shown on the bond register of the Registrar within ninety days after the date fixed for redemption. The failure of the Paying Agent to give such notice shall not affect the validity of the proceedings for the redemption of any Series 2013 Certificate as to which no such failure occurred. Any notice mailed or delivered as provided herein and in the Resolution shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Effect of Call for Redemption. Notice having been given in the manner and under the conditions prescribed herein and in the Resolution, and moneys for the payment of the redemption price being held by the Paying Agent, all as provided in the Resolution, the Certificates or the portion thereof so called for redemption shall become and be due and payable on the redemption date designated in such notice at the redemption price provided for redemption of such Certificates on such date. Interest on the Certificates or the portion thereof so called for redemption shall cease to accrue from and after the date fixed for redemption unless there shall be a failure to make payment of the redemption price thereof upon presentation and surrender thereof. Such Certificates shall cease to be entitled to any lien, benefit or security under the Resolution and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the redemption price thereof and such Certificate or the portion thereof so called shall not be considered to be Outstanding. Upon surrender of such Certificate paid or redeemed in part only, the Authority shall execute and the Registrar shall deliver to the Owner thereof, at the expense of the Authority, a new Certificate or Certificates of the same type, of authorized denominations in the aggregate principal amount equal to the unpaid or unredeemed portion of the Certificate.

Ad Valorem Tax Limitation

The Contract is being entered into in accordance with the Hospital Authorities Law, specifically O.C.G.A. §31-7-84, which section authorizes Columbus to levy an ad valorem tax not exceeding seven (7) mills exclusive of all other taxes which may be levied by Columbus. Consequently, the payment obligation of Columbus under the Contract is an extraordinary expense, not subject to the nine (9) mill *ad valorem* tax limitation contained in Section 7-102 of the Columbus, Georgia-New Charter for County-Wide Government (Ga. Laws 1993, p. 4978) as amended by the voters of Columbus, Georgia at referendum held November 6, 2012 (the “**Charter**”). In the validation proceedings for the Series 2013 Certificates in the Superior Court of Muscogee County, Columbus will request the court to rule that such a classification is proper and that such contractual obligations are not subject to the nine (9) mill limitation.

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THE AUTHORITY

Introduction

The Authority is a public corporation created and existing under the laws of the State of Georgia, particularly the Hospital Authorities Law. The Authority was activated as the "Hospital Authority of Muscogee County" by a resolution adopted by the Board of Commissioners of Roads and Revenues of Muscogee County on November 14, 1967. In 1971, the Charter of Columbus changed the name of the Authority to the "Hospital Authority of Columbus, Georgia" and continued its operation without interruption. The Authority is a separate and distinct legal entity from The Medical Center Hospital Authority of Columbus, Georgia, which owns and operates Columbus Regional in Columbus, Georgia.

Under the Hospital Authorities Law, the Authority has broad powers to acquire, construct, improve, and operate hospitals, health care facilities, dormitories, office buildings, clinics, housing accommodations, nursing homes, rehabilitation centers, extended care facilities, other public health facilities for the use of patients, officers, and employees of any institution under the supervision and control of the Authority, and all utilities and facilities deemed by the Authority to be necessary or convenient for the efficient operation thereof. **THE AUTHORITY HAS NO TAXING POWER.**

Governing Body

The Hospital Authorities Law provides that the Authority shall be governed by a Board of Trustees of not less than five nor more than nine members to be appointed by the governing body of Columbus for staggered terms, as specified by resolution of the Council of Columbus. Pursuant to a resolution adopted by the Board of Commissioners of Roads and Revenues of Muscogee County on November 14, 1967, the Board of Trustees of the Authority is presently composed of nine members, who are appointed for staggered terms of office of three years. The Hospital Authorities Law requires the members of the Board of Trustees be residents of Columbus and to elect one of their members as Chairman and another as Vice Chairman and to elect a Secretary-Treasurer, who need not be a member of the Board of Trustees. George Mize is the current Secretary-Treasurer of the Board of Trustees and Samuel Frank Morast serves as a non-voting member of the Board of Trustees.

Information concerning the current members of the Board of Trustees of the Authority is set forth below.

<u>Name/Office</u>	<u>Expiration of Current Term</u>	<u>Years on Board</u>	<u>Principal Occupation</u>
James Webster, <i>Chairman</i>	November 14, 2014	1	Retired Georgia Department of Revenue
Sarah Banks-Lang	November 14, 2014	1	Health Care Professional
Edward Gaffney, III	November 14, 2015	1	Commercial Door and Window Proprietor
Aimee Horstman	November 14, 2013	3	Banker
Jim Laycock	November 14, 2014	1	Professional Refrigerator Manufacturer
Ernest Smallman, IV	November 14, 2015	2	Real Estate
Betty Tatum	November 14, 2013	1	Retired Nurse
Paul Todd	November 14, 2015	3	TSYS Bank Card Processing
Lisa White	November 14, 2013	1	Director of Development, Brookstone School
George Mize, <i>Secretary</i>	Appointed; non-voting	N/A	Attorney
Samuel Frank Morast	Appointed; non-voting	N/A	President of Health Care System

The members of the Board of Trustees conduct regular meetings on the last Tuesday of each month. Under the Hospital Authorities Law, the members of the Board of Trustees may receive no compensation for their services, either as members or as employees of the Authority, but may be reimbursed for their actual expenses incurred in the performance of their duties.

THE HEALTH CARE SYSTEM

History

The Authority was created in 1967 to construct a new nursing home for the residents of Muscogee County. From 1968 to 1971 the Authority, with the assistance of the Muscogee County Nursing Home Board, planned, financed, and constructed a nursing home known as "Muscogee Manor." On April 1, 1971, Muscogee Manor opened. Until 1989, the Authority operated Muscogee Manor in conjunction with an existing nursing home, Highland House, which was located adjacent to Muscogee Manor. On January 13, 1989, the Authority converted Highland House from a nursing home to an administrative office building to serve the Current Facilities. The Authority transferred the licensed nursing home beds of Highland House to Muscogee Manor to add a 32-bed special care wing to Muscogee Manor. From 1988 to 1989, the Authority constructed a personal care home known as "Cobis Personal Care Home," which opened in January, 1990.

The Current Facilities

Muscogee Manor and Rehabilitation Center. Muscogee Manor and Rehabilitation Center is a 242-bed skilled and intermediate care nursing home located on an approximately 20 acre site in Columbus. Muscogee Manor and Rehabilitation Center is presently the ninth largest nursing home in the State. The original portion of Muscogee Manor and Rehabilitation Center was constructed in 1971. A 50-bed addition was constructed in 1974, a 60-bed addition was constructed in 1978, and a 32-bed special care wing was constructed in 1989. Muscogee Home Health was established in 1997, to include Muscogee Private Duty.

Muscogee Manor and Rehabilitation Center is a single story building with load bearing masonry walls on a concrete slab with the exterior walls constructed of concrete block. Interior wall construction is concrete block with vinyl wall covering in the office areas and common hallways and painted cement block in the patient rooms. The roof has wood truss construction with built up roofing on flat areas and asphalt shingles on pitched areas. The approximately 105,310 square foot building has 139 patient rooms, including 103 semi-private patient rooms and 36 private patient rooms. Each room is furnished with beds, closets, chests of drawers, bedside cabinets, overbed tables, draperies, chairs, and privacy dividing curtains in semi-private rooms. Each patient room includes lavatory and toilet facilities and a nurse call system. Baths are of ceramic tile; patient rooms utilize asphalt composition tile on the floors. In addition to the patient rooms, the building contains five nursing stations, a fully equipped kitchen and three dining areas, two patient physical, speech, and occupational therapy rooms, two patient lounges and recreational activity areas, a beauty and barber shop, a laundry, a housekeeping service area, a lobby/waiting area, an enclosed courtyard, a general storage area, and administrative offices.

There is central heating and air conditioning for the corridors and public areas of the building and for all patient rooms. The building has five patient wings, each of which contains a central bath. The building is equipped with smoke alarms, a partial fire sprinkler system, and manual fire annunciator pull stations. The building's fire annunciator panel is tied to the Columbus Fire Department's computerized fire alarm system with calls automatically initiated by smoke alarms, manual pull stations, or the sprinkler system. There are fire and smoke doors that are automatically released at the time of any fire alarm. The building was constructed to comply with the applicable life safety code requirements and has parking spaces for approximately 100 cars.

Cobis Personal Care Home. Cobis Personal Care Home is a 100-bed personal care home located adjacent to Muscogee Manor and Rehabilitation Center. Cobis Personal Care Home opened in January 1990. Cobis Personal Care Home is licensed for 100 beds and is currently operating 51 beds.

Cobis Personal Care Home is a single story building with load bearing masonry walls on a concrete slab with the exterior walls constructed of concrete block. Interior wall construction is concrete block with vinyl wall covering in the office areas and common hallways and painted cement block in the patient rooms. The roof has metal truss construction with metal roofing. The approximately 45,000 square foot building has 51 patient rooms, each with a private bath and patio, and 17 offices. Furnished and unfurnished rooms are available. In addition to the patient rooms, the building contains a fully equipped kitchen and one dining area, a game room, a recreation room, a multi-purpose room, an arts and crafts room, a formal living room, a beauty and barber shop, a laundry room, a housekeeping service area, a lobby/waiting area, an enclosed courtyard, a general storage area, a two-bedroom apartment for the manager, and administrative offices.

There is central heating and air conditioning for the corridors and public areas of the building and individual heating and air conditioning units in all patient rooms. The building has two patient wings. The building is equipped with smoke alarms, a full fire sprinkler system, and manual fire annunciator pull stations. The building's fire annunciator panel is tied to the Columbus Fire Department's computerized fire alarm system with calls automatically initiated by smoke alarms, manual pull stations, or the sprinkler system. There are fire and smoke doors that are automatically released at the time of any fire alarm. The building was constructed to comply with the applicable life safety code requirements and has parking spaces for approximately 50 cars. The Authority currently plans to gradually phase out the use of Cobis Personal Care Home over the construction period of the New Facilities and anticipates Cobis Personal Care Home being totally non-operational by 2014.

Azalea Trace Nursing Center. Azalea Trace Nursing Center is a 110-bed skilled nursing home that has been in operation for over 40 years in Columbus, Georgia. The services provided are the same as at Muscogee Manor and Rehabilitation Center. The facility was operated for over 10 years by Columbus Regional Healthcare System and previous owners before that. It was advantageous for the Authority to acquire Azalea Trace Nursing Center on March 1, 2012, in order to allow Muscogee Manor and Rehabilitation Center to maintain nursing operations at Azalea Trace Nursing Center while Muscogee Manor and Rehabilitation Center is being renovated and while the New Facilities are being constructed.

Employees, Employee Relations, Labor Organizations, and Employee Benefits

As of January 1, 2013, the Authority had 362 full-time and 129 part-time employees, constituting 491 employees that serve the Current Facilities. Of the 491 employees, there are 36 registered nurses, 78 licensed practical nurses, 192 nursing assistants, and 185 clinical and technical employees (medical records, radiology, cardiopulmonary, laboratory, food service, business, environmental services, etc.). The Authority has never experienced a disruption of services due to employee action or strike. No employees of the Authority are represented by labor organizations or are covered by collective bargaining agreements, and the executive administration of the Authority is not aware of any union organization efforts at the present time. The executive administration of the Authority believes that employee relations are good.

The Authority provides employees with a wide range of employee benefits, including health insurance, facility sponsored life insurance, as well as benefit of paid time from work for absences due to sick leave, vacations and holidays. Time away for educational opportunities is also provided. The Authority has also established a tax shelter annuity program with employer contributions for qualified staff.

The Authority contributes to the Columbus Consolidated Government Employees' Pension Plan, a multiple employer, contributory, cost sharing, defined benefit pension plan administered by Columbus. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. Columbus issues a publicly available financial report that includes financial statements and required supplementary information for the Columbus Consolidated Government Employees' Pension Plan. The report may be obtained from Columbus.

Other ancillary and optional benefits include the following: disability insurance (both long-term and short-term); dental insurance; flexible spending accounts; health savings accounts; and voluntary life.

Services

The Authority provides skilled and intermediate long-term care nursing services, respite care nursing services, personal care services, and day care services to persons requiring such services by reason of age or physical impairment. Skilled care consists of continuous nursing care and related medical and other health services on a 24-hour basis which are closely supervised by a registered nurse in consultation with the patient's physician, for individuals not in need of hospitalization, but who, because of age, illness, disease, injury, convalescence, or physical or mental infirmity, need such care. Registered nurses, licensed practical nurses, and nurses' aides provide nursing care and related medical and other health services which are prescribed by the patient's attending physician. Emphasis is on medical nursing care and pharmacotherapy, and restorative, physical, occupational, and other therapies are also provided. Intermediate care is designed to provide regular medical, nursing, social, and rehabilitative services in addition to room and board for patients suffering from long-term illness or disability where 24-hour attention is required by skilled or semi-skilled personnel. Intermediate care requires less supervision by registered nurses than skilled care. Respite care is designed to provide nursing care to a disabled person for a short-term continuous length of time in order to allow the disabled person's primary care giver to

enjoy a temporary rest from the constant care of the patient. Respite care does not require supervision by a registered nurse. Personal care is designed to provide services to individuals who do not need the more sophisticated care provided by nursing homes, but who are unable to remain at home due to physical, social, or mental impairment. Personal care does not require supervision by a registered nurse. Day care provides care to a disabled person for less than 24 hours a day within a protected, non-residential setting and is designed for adults who are incapable of full-time independent living. Day care does not require supervision by a registered nurse.

The following is a description of some of the specific services which are provided to patients:

Nursing. A registered nurse licensed in the State of Georgia acts as the Director of Nursing and is responsible for nursing care to all patients and for the direction of adequate and accurate nursing practices. Certain procedures require the professional skills of a registered nurse or licensed practical nurse. These include administering medications, injections, and similar procedures ordered by the patient's attending physician. Twenty-four hour nursing services are provided. The entire nursing staff is experienced or trained in rehabilitative and geriatric nursing.

Physicians' Services. Each patient is under the supervision of his or her own physician who is responsible for his or her medical care. A medical director who is licensed by the State as a physician is responsible for all physician services and implementation of policies and procedures relating to such services. In addition to a medical director, the consulting services of physicians licensed in the State are available. They are responsible for utilization review, for development of general medical policies, for standing orders for medication, and for emergency services when the patient's own physician cannot be reached.

Residential Services. The system provides patients with general supervision and a protective environment, including room and board and planned social programs.

Assisted Living. Most long-term care patients require assistance with some aspects of daily living. The system provides its patients with help in walking, getting in and out of bed, bathing, dressing, and eating.

Psycho-Social Services. Psycho-social services are provided under the direction of a Social Services Director. Counseling and support are provided to patients and their families through both individual and group sessions. Spiritual services are provided by local clergy and volunteers from church groups.

Emergency Services. An emergency medication kit is maintained by the Authority in accordance with federal and state regulations.

Restorative Nursing. Restorative nursing is provided as appropriate.

Activity Program. Activities suited to the needs and interests of each patient are provided under the direction of a state-approved Activity Director as an important adjunct to the active treatment program and to encourage restoration to self care and resumption of normal activities. Each patient's activity program is approved by his or her attending physician.

Medical Records. Each patient's medical record consists of the aggregate data required by licensure regulations.

Dietary Services. Many patients are on restricted diets. Therapeutic diets include limited calorie diabetic diets, low cholesterol diets, and pureed diets. Dietary services are directed by a state-approved dietary manager and meet the daily dietary needs of each patient. Regularly scheduled consultation from a registered dietitian is made available to patients. A sufficient number of food service personnel are employed by the Authority, and their working hours are scheduled to meet the dietary needs of the patients. The food and nutritional needs of each patient are met in accordance with physician's orders.

Drugs and Pharmaceutical Services. Drugs and pharmaceuticals are ordered by each patient's private physician. All prescriptions are compounded and dispensed by a pharmacist registered in the State. Licensed nurses are responsible for the accurate handling and precise administration to patients. A qualified pharmacist is regularly available for consultation.

Personnel. Sufficient qualified personnel are provided to assure the health, safety, and proper care of patients. Employees are provided with orientation and training as necessary for each to properly perform his or her individual job assignment.

Environmental Support Services. Environmental support services include housekeeping, laundry, and maintenance services. An adequate supply of linen is maintained to provide clean and sanitary conditions for each patient at all times.

Beautician/Barber. A beauty parlor and barber shop is available on the premises for patient use.

Physical, Speech, and Occupational Therapy. Many patients require rehabilitation following hospital treatment for strokes, heart attacks, orthopedic conditions, or other physical problems. Physical, speech, and occupational therapy services are available according to the specific order of each patient's physician. Physical, speech, and occupational therapy equipment and space required to render the service is provided. Physical therapy helps to restore loss of muscle strength, coordination, and body alignment, to relieve pain, and to improve movement and functional ability. Speech therapy diagnoses, evaluates, and treats speech, language, and swallowing disorders. Occupational therapy retrains and instructs patients through the use of assistive devices to maximize their physical potential. A registered physical therapist is responsible for all physical therapy activities and for carrying out the physician's orders. A registered speech pathologist is responsible for all speech therapy activities and for carrying out the physician's orders. A registered occupational therapist is responsible for all occupational therapy activities and for carrying out the physician's orders.

Financial Services. Financial services are provided through the Authority's business office manager. These services include management of patient funds, Medicaid and Medicare reimbursement assistance and advice, insurance billing, and financial planning for long-term care.

Educational Programs

Students from Columbus State University and Columbus Technical College perform practicums in Muscogee Manor and Rehabilitation Center as part of their educational experience. Muscogee Manor and Rehabilitation Center also has a certified Nursing Assistant Training Program.

Service Area

The service area for the Authority encompasses eight counties in central western Georgia and central eastern Alabama.

The primary service area from which the Health Care System currently receives and in the future is expected to receive most of its patients consists of Columbus. The secondary service area from which the Health Care System currently receives and in the future is expected to receive the remainder of its patients includes Harris, Marion, Stewart, Talbot, and Webster counties in Georgia, and Lee and Russell counties in Alabama.

Service Area Demographic and Economic Information

Set forth below is selected demographic data for the primary service area (Columbus) of the Health Care System according to the 2010 Census.

<u>Age Group</u>	<u>Population</u>
0-19	54,827
20-24	15,433
25-34	28,231
35-49	36,146
50-64	33,166
65+	<u>22,082</u>
Total:	<u>189,885</u>

Source: U.S. Department of Commerce, Bureau of the Census.

For additional demographic and economic data for the primary service area of the Health Care System, see “COLUMBUS - Demographic and General Information” and “COLUMBUS – Industry and Employment” herein.

Competitive Data

In addition to Muscogee Manor and Rehabilitation Center and Azalea Trace Nursing Center, there are currently 14 nursing homes containing 1,644 beds operating in the primary service area of the Health Care System. The following is information concerning competing nursing homes operating in the primary service area of the Health Care System as of January 1, 2013.

<u>Name</u>	<u>Location</u>	<u>Level of Care</u>	<u>Number of Beds</u>	<u>Market Share of Beds</u>	<u>Occupancy Rate</u>
Azalea Trace	910 Talbotton Road Columbus, GA 31904	Skilled	110	5.51	95%
Fountain City Care and Rehabilitation	5131 Warm Springs Road Columbus, GA 31909	Skilled	210	10.52	78%
Hamilton House Nursing and Rehabilitation Center	1911 5th Avenue Columbus, GA 31907	Skilled	128	6.41	88%
Magnolia Manor of Columbus Nursing Center - East	2010 Warm Springs Road Columbus, GA 31904	Skilled	210	10.52	80%
Magnolia Manor of Columbus Nursing Center - West	2000 Warm Springs Road Columbus, GA 31904	Skilled	166	8.32	80%
Spring Harbor at Green Island	200 Spring Harbor Drive Columbus, GA 31904	Skilled	40	2.00	60%
Oak View Home	119 Oak View Street Waverly Hall, GA 31831	Skilled	100	5.01	94%
Magnolia Manor of Marion County	349 Geneva Road Buena Vista, GA 31803	Skilled	70	3.51	86%
Muscogee Manor and Rehabilitation Center	7150 Manor Road Columbus, GA 31907	Skilled	242	12.12	91%
Four County Health and Rehabilitation	124 Overby Drive Richland, GA 31825	Skilled	85	4.26	93%
Arbor Springs Health and Rehabilitation Center, Ltd.	1910 Pepperell Parkway Opelika, AL 36801	Skilled	225	11.27	66%
East Alabama Medical Center Skilled Nursing Facility	2000 Pepperell Parkway Opelika, AL 36802	Skilled	26	1.30	73%
Oak Park	1365 Gatewood Drive Auburn, AL 36830	Skilled	87	4.36	99%
Canterbury Healthcare Facility	1720 Knowles Road Phenix City, AL 36869	Skilled	137	6.86	98%
Parkwood Healthcare Facility	3301 Stadium Drive Phenix City, AL 36867	Skilled	74	3.71	85%
Phenix City Healthcare, Inc.	3900 Lakewood Drive Phenix City, AL 36867	Skilled	86	4.31	97%

Source: Hospital Authority of Columbus, Georgia.

The enterprise engaged in by the Authority can be highly competitive. The Health Care System competes primarily on the basis of location and the quality of care and services provided. The facilities which are owned and operated by larger chains may enjoy an advantage because general administrative expenses may be spread over a greater number of facilities and more advantageous purchasing arrangements may be available to them. No assurance can be given that other competitive facilities or services will not be established or that existing competitive facilities will not be expanded or renovated in the Health Care System's service area in the future.

The principal methods of competition in the long-term care industry include, but are not necessarily limited to, daily rates charged, services available in relation to patient needs, and the quality and attractiveness of physical facilities provided. The Authority believes that the Health Care System can effectively compete with other facilities currently located in its areas of competition; however, there can be no guarantee that in the future any of the Health Care System will be able to compete with (i) long-term care facilities designed and built with the benefit of advanced technology not available at the time the Health Care System was constructed, (ii) long-term care facilities which are able to significantly reduce or contain their costs through economies of scale or other methods not available to the Authority, or (iii) long-term care facilities which are perceived to offer more attractive facilities or services.

Although to some degree, competition from new long-term care facilities will be inhibited by the operation of Georgia's "certificate of need" law (which requires a determination by the State of Georgia Health Planning Agency that a bed need exists before new facilities can be constructed or existing facilities expanded), such determinations could be erroneous and thus could lead to unnecessary competing facilities. In addition, "certificate of need" laws are no protection against a reduction in bed need due to demographic or other changes. No assurance can be given that the "certificate of need" law of Georgia will not be repealed in the future.

The Health Care System may also encounter competition from hospitals which provide extended and short-term medical care, from home health care agencies, and from other forms of housing facilities for the elderly, such as adult congregate living facilities, homes for the aged, condominiums, and apartment buildings, some of which may be designed to offer similar facilities, but not necessarily similar services, at lower prices.

Accreditation and Licenses

Muscogee Manor and Rehabilitation Center is licensed by the State of Georgia Department of Human Resources to operate 242 skilled and intermediate care nursing home beds. Cobis Personal Care Home is licensed by the State of Georgia Department of Human Resources to operate 100 personal care home beds and Azalea Trace Nursing Center is licensed to operate 110 beds. Muscogee Manor and Rehabilitation Center and Azalea Trace Nursing Center is approved for participation in the Medicare and Medicaid reimbursement programs. Muscogee Home Health and Muscogee Private Duty are included in the licensure and accreditation.

All skilled and intermediate care nursing facilities must meet state licensure requirements with respect to skilled or intermediate care nursing homes. Nursing facilities may also have "dual certification" qualifying them to provide either skilled or intermediate care nursing services. All personal care facilities must meet state licensure requirements with respect to personal care homes. Skilled care nursing facilities may be eligible to participate in both Medicaid and Medicare reimbursement programs. Intermediate care nursing facilities may be eligible to participate in the Medicaid, but not the Medicare, reimbursement program. Personal care facilities are not eligible to participate in either the Medicaid or the Medicare reimbursement program. Skilled and intermediate care nursing facilities that choose to participate in either the Medicaid or Medicare reimbursement program must meet comprehensive federal certification requirements established by the Health Care Financing Administration of the Department of Health and Human Services, including requirements as to accommodations, equipment, services, patient care, safety, personnel, physical environment, and the existence of adequate policies, procedures, and controls. Medicaid and Medicare accreditation are renewable annually and may be revoked or limited at any time upon noncompliance with the conditions for participation in the particular program.

The Authority believes that the Health Care System presently complies and will continue to comply with all laws, rules, regulations, and requirements for structures intended to be used as nursing home and personal care home facilities and believes that licenses for the operation of the Health Care System will be maintained. These laws, rules, and regulations which relate to the construction, fitness, and adequacy of the physical facilities, the qualification and adequacy of personnel, and the quality of patient care, are, however, subject to change, and there can be no guarantee that in the future the

Authority will not be required to expend substantial sums in order to maintain the licensed status of the Health Care System.

The continued licensure and certification to participate in the Medicaid and Medicare programs depends upon many factors, including, among other things, accommodations, equipment, services, patient care, safety, personnel, physical environment, and adequate policies, procedures, and controls. Federal, state, and local agencies survey long-term care facilities on a regular basis to determine whether such facilities are in compliance with governmental operating and health standards and conditions for participating in governmental reimbursement programs. Such surveys include reviews of patient utilization and inspection of standards of patient care. The Authority will attempt to assure that the Health Care System will be operated in compliance with applicable licensing standards and that Muscogee Manor and Rehabilitation Center, Muscogee Home Health, and Azalea Trace Nursing Center retains its certification to participate in the Medicaid and Medicare programs. Cobis Personal Care Home and Muscogee Private Duty are private pay facilities and do not participate in the Medicaid and Medicare programs. However, to the extent these standards are not met, the licenses of the Health Care System could be limited, suspended, or revoked, or decertification proceedings could be commenced against the Authority to exclude it from participating in the Medicaid or Medicare programs, adversely affecting the revenues of the Health Care System.

In addition to the licenses noted above, various health and safety regulations and statutes apply to the Health Care System and are enforced by various state agencies. Violation of certain health and safety standards could result in closure or requirements that compliance with such standards be immediately achieved. The Authority believes that the Health Care System complies and will continue to comply with all such health and safety standards. These health and safety standards are, however, subject to change, and continued compliance may also be affected by changing conditions at the Health Care System. There can be no guarantee that in the future the Authority will not be required to expend substantial sums in order to comply with the various health and safety standards.

Executive Administration of the Health Care System

Overall on-site managerial supervision of the Health Care System is provided by the President, who is licensed by the State of Georgia and is responsible for all functions within the Health Care System and for carrying out policies set by the Authority. Samuel Frank Morast serves as the President of the Health Care System and has been employed by the Authority since 1995. He graduated with honors and received a B.B.A. from Georgia Southwestern State University in 1984. He was employed from 1986 to 1995 with the Columbus Consolidated Government, Department of Finance, the first three years as an auditor and the last six years as City Treasurer.

The Vice President of the Health Care System assists the President in carrying out policies set by the Authority. Britt Hayes serves as the Vice President of the Health Care System and has been employed by the Authority since October 2012. He received a BBA in Accounting from Auburn University as well as an MBA from Troy University. Mr. Hayes has held various financial and administrative positions during his 21 year career, including serving as the Assistant Finance Director of Columbus, Georgia and the Controller/CFO of four other companies.

The Medical Director of Muscogee Manor and Rehabilitation Center and Azalea Trace Nursing Home is Piyush B. Patel, M.D (the “**Medical Director**”). Dr. Patel received his medical degree from Baroda Medical College in 1989 and has practiced medicine in Columbus since 2005. He has been the Medical Director of Muscogee Manor and Rehabilitation Center since July 2007.

Muscogee Manor and Rehabilitation Center has a Director of Nursing who operates under the advice and consultation of the Medical Director of Muscogee Manor and Rehabilitation Center. The Director of Nursing is responsible for policy, procedure, and supervision of nursing personnel. The Director of Nursing is Sonja Johnson, who received her Associates in Nursing from Columbus College in 1992 and obtained her Registered Professional Nurse License for the State of Georgia in 1992. She has worked for Muscogee Manor and Rehabilitation Center as a registered nurse since 1992 and has held the following positions: South Wing Nurse Manager (1992-1995), Nurse Manager Rehabilitation Unit (1995-1999), MDS Coordinator (1999-2001), Nurse Manager Rehabilitation Unit (2001-2002), Assistant Director of Nursing (2002-2003), and Director of Nursing (2003-Present).

The Director of Rehabilitative Services of the Health Care System is Carol Powell Morast, who graduated from The Medical University of South Carolina in 1977. Ms. Morast was employed with Rehab Services from 1977-1980, and she worked as an Independent Contractor for skilled nursing facilities and

Home Health Agency's for many years. She also worked for Phenix City Healthcare. Ms. Morast began as a part-time employee at the Health Care System in 1993 and has been working full time with the Health Care System since 1994.

The Administrator of Azalea Trace Nursing Center is Dr. Don Butler. He has a Master of Science in Human Resources Management from Troy University, a Master of Science in Professional Counseling from Liberty University, and a Master of Divinity, Doctor of Ministry Degree from Luther Rice University. Dr. Butler was a minister from 1970 to 2004, has worked in Veterans Affairs (1994-1998), was a college professor (2000-2005), and was a Mental Health Therapist (1990-2009) before becoming the Administrator of Azalea Trace Nursing Center in 2009.

Azalea Trace Nursing Center has a Director of Nursing who operates under the advice and consultation of the Medical Director. The Director of Nursing is responsible for policy, procedure, and supervision of nursing personnel. The Director of Nursing is Trisha Griggs, who received her Practical Nursing Certificate from Chattahoochee Valley Community College in 1997. She received a B.S. in Psychology with a minor in Sociology, *summa cum laude*, from Troy University in 2007. In 2009 Ms. Griggs received her Associate Degree Nursing, *summa cum laude*, from Columbus Technical College. Ms. Griggs has held various positions throughout the Health Care System including Human Resources benefits coordinator, RN staff nurse in the critical care unit at doctor's hospital, LPN charge nurse at Azalea Trace, RN Supervisor at Azalea Trace, RN Coordinator at Azalea Trace, RN Nurse Manager at Azalea Trace and the Director of Nursing from October 2012 to present.

Staff

The Health Care System has an around-the-clock staff of nurses and attendants. Although there is no physician in residence, there is an agreement with the Medical Director of the Health Care System who is available on reasonable notice. The Health Care System offers a physical and occupational therapy program and speech therapy services are provided by licensed therapists who are employed by the Authority. The Health Care System also has a social services director on staff.

The Health Care System employs 354 full time equivalent employees ("FTEs") who are responsible for the Health Care System administration, upkeep, and patient care. The following is a list of the number of FTEs for each classification of employee of the Health Care System, as provided by the Authority:

<u>Position or Function</u>	<u>Number of FTEs</u>
Administration	10
Bookkeeping	6
Clerical	8
Staff Development	1
Director of Nursing	3
Registered Nurses	17
Licensed Practical Nurses	64
Nurses Aides	145
Activity	8
Social Services	6
Laundry/Housekeeping Supervision	4
Housekeeping	25
Laundry	10
Dietary	35
Maintenance	6
Rehabilitation	6
Total:	<u>354</u>

Malpractice and Other Insurance

The Health Care System is from time to time subject to claims and suits arising in the ordinary course of business. Currently, the Health Care System's agent of record is George Mize, Secretary of the Board.

The Health Care System has a self-insurance trust, valued at approximately \$900,000 as of January 1, 2013. The Authority has general liability and professional liability coverage from One Beacon

Insurance for \$1,000,000 million per occurrence/\$3,000,000 million aggregate, with a zero deductible for claims made or defense expenses. The Health Care System is insured for workers' compensation through Key Risk Insurance Company, Greensboro, North Carolina. The workers' compensation policy has coverage limits of \$1,000,000 per accident for bodily injury, \$1,000,000 policy limit for bodily injury by disease and \$1,000,000 per employee bodily limit by disease. Property/Casualty insurance for adequate replacement and interruption of business is provided by Travelers Insurance.

Rates and Charges

Following are the room rates in effect during fiscal year 2013 for the Health Care System:

<u>Room Type</u>	<u>Muscogee Manor & Rehabilitation Center</u>	<u>Cobis Personal Care Home</u>	<u>Azalea Trace Nursing Center</u>
Private Pay, Private Room	\$180.00 per day	\$2,075 - \$2,275 per month	\$180 per day
Private Pay, Semi-Private Room	\$170.00 per day	\$1,850.00 per month	-0- ²
Medicaid	\$162.00 per diem	-0- ¹	\$175 per diem
Medicare	\$305.00 per day	-0- ¹	\$295 per day

¹ Cobis is a 100% private pay facility and does not have any Medicaid or Medicare patients.

² Azalea Trace Nursing Center does not have any Semi-Private rooms.

Historical Utilization of the Health Care System

Historical data summarizing the utilization of the Health Care System for fiscal years ended June 30, 2008 through June 30, 2012 are presented below.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>Muscogee Manor & Rehabilitation Center</i>					
Beds Available	242	242	242	242	242
Patient Days	76,526	75,679	78,686	77,523	76,997
Average Daily Census	209.67	207.18	215.57	212.40	213.86
Average Occupancy Rate	86.64%	85.61%	89.08%	87.77%	88.37%
Private Pay Patient Days	13,928	14,308	17,593	18,120	16,908
Medicaid Patient Days	56,137	55,688	55,787	54,808	54,906
Medicare Patient Days	6,461	5,683	5,306	4,595	4,432
<i>Cobis Personal Care Home</i>					
Beds Available	100	100	100	100	100
Patient Days	14,129	10,566	10,347	9,117	9,006
Average Daily Census	38.71	28.95	28.35	24.98	25.02
Average Occupancy Rate	38.71%	28.95%	28.35%	24.98%	25.02%
<i>Azalea Trace Nursing Center¹</i>					
Beds Available	--	--	--	--	110
Patient Days	--	--	--	--	12,868
Average Daily Census	--	--	--	--	107.23
Average Occupancy Rate	--	--	--	--	97.48%
Private Pay Patient Days	--	--	--	--	1,490
Medicaid Patient Days	--	--	--	--	10,333
Medicare Patient Days	--	--	--	--	814

¹ Azalea Trace Nursing Center was acquired by the Authority in 2012; therefore, no historical information is available for fiscal years 2006 through 2011.

Source: Hospital Authority of Columbus, Georgia.

Sources of Revenue

The following table sets forth the percentage distribution of gross patient service revenue for the Health Care System for the past five fiscal years.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>Azalea Trace Nursing Center</i>	N/A	N/A	N/A	N/A	14.06% ¹
<i>Muscogee Manor & Rehab Center</i>	89.44%	91.93%	92.24%	91.11%	78.09%
<i>Cobis Personal Care Home</i>	5.73%	4.73%	4.34%	3.85%	3.22%
<i>Muscogee Home Health</i>	<u>4.83%</u>	<u>3.34%</u>	<u>3.42%</u>	<u>5.04%</u>	<u>4.63%</u>
Total:	100.00%	100.00%	100.00%	100.00%	100.00%

¹ The numbers for Azalea Trace represent March 1, 2012 through June 30, 2012.

Sources of Payment

The Authority's charges made to patients are generally paid from one of the following sources: (i) payment from the patient's personal funds or by the patient's insurance company ("Private Pay"); (ii) Medicaid payments ("Medicaid") under the State of Georgia program for the medically indigent, funded by state and federal funds; or (iii) Medicare payments ("Medicare") under the federal program for the elderly and the disabled, funded by federal funds.

The following table illustrates the source of gross patient service revenues generated by services of the Health Care System for fiscal years ended June 30, 2008 through June 30, 2012.

<u>Revenue Source</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Private Pay	\$ 3,574,705	\$3,266,927	\$ 3,871,036	\$ 4,326,292	\$3,754,462
Medicaid	9,759,508	9,624,480	11,042,555	10,273,157	13,565,169
Medicare	<u>2,631,254</u>	<u>2,235,051</u>	<u>2,146,493</u>	<u>2,030,345</u>	<u>2,627,735</u>
Total:	\$15,965,467	\$15,126,458	\$17,060,084	\$16,629,794	\$19,947,366

Source: Hospital Authority of Columbus, Georgia.

Private pay patients generally are billed at the prevailing charge schedule established by the Health Care System. Such charges will usually exceed the reimbursement provided by Medicaid. Private insurance carriers reimburse their subscribers or make direct payments to health care facilities for expenses of care at established rates. The patient remains responsible for any difference between the insurance proceeds and the total charges. Patients without insurance who are able to pay are subject to the prevailing charge schedule established by the Health Care System. Many private insurance policies do not provide benefits for care and treatment in long-term care facilities.

Profitable operation of the Health Care System is and will be highly dependent upon the Medicaid program. It is unlikely that the Health Care System could ever attract sufficient numbers of private pay patients to become totally self-sufficient without reimbursements from the Medicaid program. Medicaid is a state-administered medical assistance program for the indigent, which reimburses, among other things, skilled and intermediate care nursing costs and is funded by the State, which receives reimbursement for part of its costs from the federal government. Medicaid does not reimburse personal care costs. Under Title XIX of the Social Security Act, the Secretary of Health and Human Services periodically establishes prospective limits on the amount of routine costs which are reimbursable under the Medicaid program. Nursing home reimbursement under Medicaid is required to be paid on a "reasonable cost related basis." Each state participating in the Medicaid program is required to submit and secure approval from the Department of Health and Human Services of its "state plan for medical assistance," which sets forth the methods and procedures for calculating nursing home reimbursement on a "reasonable cost related basis."

Current federal law requires that state Medicaid reimbursement rates be reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated facilities providing care and services in conformity with applicable state and federal laws, regulations, and quality and safety

standards. In enacting this provision, Congress allowed states significant flexibility in establishing payment rates. States are not required to pay nursing homes the full cost of services provided to Medicaid patients. State Medicaid plans are required to provide payment for skilled nursing care and may provide payment for intermediate nursing care services. State Medicaid plans may not provide payment for personal care services.

Under the Medicaid programs, licensed operators of nursing homes are reimbursed for services rendered to qualified patients on the basis of allowable costs. The amount of reimbursement is subject to certain ceilings, and during each year, charges for services to Medicaid patients are based upon estimates of allowable costs to be incurred. Reimbursements generally cover all allowable interest, depreciation, and amortized financing costs and all allowable variable operating costs subject to fixed limits and, where costs are lower than the fixed limits, include rate incentives which vary depending upon the quality of care rating awarded.

Medicaid reimbursement formulas are established by each state with the approval of the Health Care Financing Administration of the Department of Health and Human Services and vary from state to state. States have the flexibility to restrain cost growth by developing nursing home reimbursement systems that include cost containment provisions and incentives for efficient operations, such as prospective payment rates and limitations on rates. Typically, states provide for reimbursement for specified services up to specified limits based on historical costs, with adjustments for inflation. In a few states, state authorities have adopted a flat-rate payment system. In addition, some states follow Medicare cost reimbursement principles that restrict payment for certain costs. Certain states also provide for recapture of reimbursement payments for depreciation expenses if the facility generating such expense is sold less than a specified number of years after being acquired.

The State of Georgia Medicaid program reimburses nursing facilities for services rendered to qualifying beneficiaries on a per diem basis. The per diem reimbursement rates for skilled care and intermediate care nursing facilities are established on a group basis for various classes of facilities, are prospective, and are indexed by an inflation factor. The per diem reimbursement rates cannot exceed the particular facility's charges to the general public.

The State of Georgia periodically audits the reimbursable costs on which patient Medicaid reimbursements are based. If the costs on which reimbursements have been based are found to be in excess of those permitted, such costs are subject to being disallowed, and the amounts reimbursed for such disallowed costs are subject to being immediately repayable. While the Authority believes that the rates to be charged Medicaid patients will be appropriately premised on allowable costs, no assurance can be given that certain costs will not be disallowed.

Profitable operation of the Health Care System will also be partially dependent upon Title XVIII of the Social Security Act, known generally as "Medicare," a fee-based reimbursement program designed primarily for assistance to the aged and disabled which is regulated by the federal government under regulations established and administered by the United States Department of Health and Human Services. The Medicare program is funded by the federal government and is administered by the Health Care Financing Administration of the Department of Health and Human Services through fiscal intermediaries. Medicare benefits are payable for skilled nursing and rehabilitative care. It should be noted that for hospitals, payments under Medicare are made not on the basis of cost, but under the new *prospective payment system* in which fixed payments are made according to the patient's principal diagnosis. The new payment system that was adopted, July 1, 1998, has allowed health care providers to affect their bottom line through efficiencies, and Medicare patients are very desirable admissions.

Care provided to Medicaid patients is reimbursed at rates less than the established billing rates for the Health Care System. Pending final audit determination of the reimbursement for Medicaid and Medicare patient accounts, the Authority will estimate the final cost under these contracts and will include an allowance for contractual adjustments in allowances and uncollectible in its financial statements. The allowances will consist of the difference between the standard rates for services performed under these third-party contracts and the estimates of final reimbursement. Patients covered by the Medicaid and Medicare programs are not responsible for any difference, other than deductibles and co-insurance, between the standard rates for services and the amounts reimbursed under the Medicaid and Medicare programs.

There can be no guarantee that the State of Georgia or the federal government will not terminate or substantially change or curtail the Medicaid reimbursement program, and such a change could, and any termination or curtailment probably would, have an adverse effect upon the Authority and the Health Care System. In order for the State of Georgia to continue to receive partial reimbursement for the cost of

its Medicaid program from the federal government, it must administer its program in accordance with federal regulations. The federal government has on occasion withheld Medicaid funds from states which were not in compliance with its regulations. Any such federal action taken with respect to the State of Georgia's Medicaid program would undoubtedly have an adverse effect upon the Authority and the Health Care System.

Congress has enacted several laws which affect the Medicaid program. While it is impossible to determine the effect these laws will have on future revenues of the Health Care System, to the extent these laws reduce the amount of reimbursement available to the Health Care System, the revenues of the Health Care System will be adversely affected. There can be no assurance that the State of Georgia will not experience budgeting deficiencies in the future with respect to its Medicaid cost reimbursement program and become unwilling or unable to pay Medicaid reimbursements to providers on a timely basis, which would have an adverse effect upon the revenues of the Health Care System. The amount and frequency of payments under the federal Medicare program and the federal-state Medicaid program are subject to annual certification renewals, administrative rulings, interpretations of policy, determinations and processing delays by intermediaries implementing reimbursement procedures, retroactive payment adjustments, and governmental funding restrictions, any or all of which may materially decrease the revenues of the Health Care System.

The health care industry in general is subject to regulation by a number of governmental agencies, including those which administer the Medicaid and Medicare programs, federal, state, and local agencies responsible for the administration of health planning programs, and other federal, state, and local agencies. As a result, the health care industry is sensitive to legislative and regulatory changes in and limitations on governmental spending for the governmental programs which affect it. The rapidly rising cost of health care and the consequent drain on the federal budget through federal participation in the Medicaid program and federal funding of the Medicare program has for some time been a major area of federal executive branch and congressional concern.

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DEBT STRUCTURE OF THE AUTHORITY

Categories of Long-Term and Short-Term Indebtedness

The Authority does not currently have any outstanding long term debt or any outstanding short term debt.

Debt Service Coverage Ratios

On June 1, 1993, the Authority issued its HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REFUNDING REVENUE CERTIFICATES, SERIES 1993, in the aggregate principal amount of \$5,155,000 (the “**Series 1993 Certificates**”). The Series 1993 Certificates were paid in full on June 1, 2010. Certain of the coverage ratios listed below include payments to be made on the Series 1993 Certificates when they were outstanding obligations of the Authority.

Historical and Pro Forma Debt Service Coverage Ratios. The following table sets forth the historical and pro forma debt service coverage ratios of the Authority:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues	\$16,254,735	\$15,407,863	\$17,350,951	\$16,887,906	\$20,222,354
Operating Expenses	<u>14,705,885</u>	<u>14,672,663</u>	<u>15,062,351</u>	<u>15,446,179</u>	<u>17,244,652</u>
Net Operating Income	\$1,548,850	\$735,200	\$2,288,600	\$1,441,727	\$3,006,672
Plus Depreciation & Amortization	311,140	264,316	233,369	195,430	195,307
Plus Interest Expense	67,254	45,595	22,385	-0-	-0-
Plus Investment Income	<u>349,654</u>	<u>215,194</u>	<u>237,062</u>	<u>48,333</u>	<u>28,970</u>
Net Income Available for Debt Service	\$2,276,898	\$1,260,305	\$2,781,416	\$1,685,490	\$3,201,979
Debt Service on Series 1993 Certificates	\$464,048	\$467,520	\$464,420	-0-	-0-
Historical Debt Service Coverage Ratios ¹	4.91x	2.70x	5.99x	n/a	n/a
Estimated MADS on Series 2013 Certificates	\$2,391,494	\$2,391,494	\$2,391,494	\$2,391,494	\$2,391,494
Pro Forma Debt Service Coverage Ratios ²	0.95x	0.53x	1.16x	0.70x	1.34x

¹ Although the Series 1993 Certificates were secured by a pledge of the Gross Revenues of the Authority, presented below are the Authority’s historical debt service coverage ratios of Net Revenues Available for Debt Service to Debt Service on the Series 1993 Certificates during fiscal years 2008 through 2012. Debt service on the Authority’s Notes Payables and Capital Leases is not included in the calculation because those obligations do not have a lien on the revenues of the Authority.

² The Pro Forma Debt Service Coverage Ratios are based upon historical operating results that would have occurred for the fiscal years 2008 through 2012 (i) had the Series 1993 Certificates not been outstanding during such periods, (ii) had the Series 2013 Certificates been outstanding during such periods, and (iii) had the maximum annual debt service (“**MADS**”) payable on the Series 2013 Certificates been paid during such periods. The MADS on the Series 2013 Certificates has been substituted for the actual debt service paid on the Series 1993 Certificates.

The financial information presented above, which is based upon historical financial results, should not be considered to represent future results that may be obtained by the Authority. Although the Authority’s management believes that future financial results will be comparable to those set forth above, certain of the assumptions that management is presently relying upon may not materialize, and unanticipated events and circumstances may occur that may adversely affect such results.

Pro Forma Ad Valorem Tax Coverage of Debt Service. The following table sets forth the Pro Forma Debt Service Coverage Ratios of Estimated Revenues from a 4 Mill Tax to Debt Service on the Series 2013 Certificates that would have occurred for the last five fiscal years provided by the Contract with Columbus (i) had the Series 1993 Certificates not been outstanding during such periods, (ii) had the Series 2013 Certificates been outstanding during such periods, and (iii) had the MADS payable on the Series 2013 Certificates been paid during such periods. The MADS on the Series 2013 Certificates has been substituted for the actual debt service paid on the Series 1993 Certificates.

	Fiscal Years Ended June 30				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Value of 1 Mill	\$4,104,727	\$4,202,086	\$4,179,545	\$4,267,894	\$4,425,060
Collection of 4 Mills at 100%	\$16,418,908	\$16,808,344	\$16,718,180	\$17,071,576	\$17,700,240
Estimated Revenues from 4 Mill Tax ¹	\$15,597,963	\$15,967,927	\$15,882,271	\$16,217,997	\$16,815,228
Maximum Annual Debt Service on the Series 2013 Certificates ²	\$2,391,494	\$2,391,494	\$2,391,494	\$2,391,494	\$2,391,494
Pro Forma Debt Service Coverage Ratio	6.52x	6.68x	6.64x	6.78x	7.03x

¹ The estimated tax revenues are based upon an assumed collection rate of 95% of taxes levied against Columbus's Net Maintenance and Operations Tax Digest. See "COLUMBUS AD VALOREM TAXATION - Tax Digest."

² See "DEBT STRUCTURE OF THE AUTHORITY – Estimated Debt Service Schedule."

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Estimated Debt Service Schedule*

Set forth below are the principal and interest payment requirements of the Authority with respect to the Series 2013 Certificates.

<u>Bond Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	0		
2014	0		
2015	\$1,390,000.00		
2016	1,410,000.00		
2017	1,430,000.00		
2018	1,455,000.00		
2019	1,480,000.00		
2020	1,510,000.00		
2021	1,545,000.00		
2022	1,580,000.00		
2023	1,625,000.00		
2024	1,670,000.00		
2025	1,715,000.00		
2026	1,765,000.00		
2027	1,820,000.00		
2028	1,880,000.00		
2029	1,940,000.00		
2030	2,010,000.00		
2031	2,080,000.00		
2032	2,155,000.00		
2033	2,230,000.00		
2034	<u>2,310,000.00</u>		
	<u>\$35,000,000.00</u>		

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**FINANCIAL INFORMATION
CONCERNING THE AUTHORITY**

Five-Year General Fund Operating History

Set forth below is a historical summary of the revenues, expenses, and changes in fund balance of the Authority for the past five fiscal years. Information in the table for fiscal years 2008 through 2012 have been extracted from audited financial statements of the Authority for the years ended June 30, 2008, to June 30, 2012. Although taken from audited financial statements, no representation is made that the information as shown is comparable from year to year, or that the information as shown taken by itself presents fairly the financial condition of the Authority, for the fiscal years shown. For more complete information, reference is made to the audited financial statements of the Authority for fiscal year 2012, which are included in this Official Statement as Appendix A and to the audited financial statements for fiscal years 2008 to 2011, copies of which are available from the Authority upon request.

Fiscal Years ended June 30, 2007 through June 30, 2012

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues					
Net Patient Revenue	\$15,965,467	\$15,126,458	\$17,060,083	\$16,629,793	\$20,680,241
Other Revenue	<u>289,268</u>	<u>281,405</u>	<u>290,868</u>	<u>258,113</u>	<u>245,206</u>
Total Revenue	<u>\$16,254,735</u>	<u>\$15,407,863</u>	<u>\$17,350,951</u>	<u>\$16,887,906</u>	<u>\$20,925,447</u>
Expenses					
Nursing Services	\$6,307,176	\$6,729,792	\$7,042,509	\$7,269,070	\$8,548,023
Home Care Services	160,135	98,456	106,919	86,035	59,244
Special Services	1,371,148	1,446,345	1,565,866	1,538,734	1,724,025
Dietary Services	1,786,982	1,624,532	1,701,527	1,706,716	1,921,215
Laundry and Housekeeping	912,690	943,611	959,281	974,666	1,140,409
Plant Operations	1,014,163	993,477	957,298	981,254	1,048,273
Administrative Services	2,532,420	2,461,643	2,398,369	2,508,443	2,850,559
Depreciation and Amortization	311,140	264,316	233,369	195,430	186,903
Provision for Bad Debts	<u>310,031</u>	<u>110,491</u>	<u>97,158</u>	<u>185,831</u>	<u>281,271</u>
Total Expenses	<u>\$14,705,885</u>	<u>\$14,672,663</u>	<u>\$15,062,351</u>	<u>\$15,446,179</u>	<u>\$17,759,922</u>
Operating Income (Loss)	\$1,548,850	\$735,200	\$2,288,600	\$1,441,727	\$3,165,525
Nonoperating Income & (Expenses)					
Income on Investments of Restricted Assets under Indenture					
Agreements	\$15,392	\$2,199	\$62	\$25	-0-
Other Investment Income	349,654	215,194	237,062	48,333	23,711
Interest Expense	<u>(67,254)</u>	<u>(45,595)</u>	<u>(22,385)</u>	<u>-0-</u>	<u>-0-</u>
Total Nonoperating Gains	<u>\$297,792</u>	<u>\$171,798</u>	<u>\$214,739</u>	<u>\$48,358</u>	<u>\$23,711</u>
Revenues & Gains in Excess of Expenses and Losses					
	\$1,846,642	\$906,998	\$2,503,339	\$1,490,085	\$3,189,236
Net Assets at Beginning of Year	<u>\$10,247,507</u>	<u>\$12,094,149</u>	<u>\$13,001,147</u>	<u>\$15,504,486</u>	<u>\$16,994,571</u>
Net Assets at End of Year	<u>\$12,094,149</u>	<u>\$13,001,147</u>	<u>\$15,504,486</u>	<u>\$16,994,571</u>	<u>\$20,183,807</u>

Five-Year Projections of the General Fund

Set forth below are projected revenues, expenses, and changes in fund balance of the Authority for fiscal years ended June 30, 2013 through June 30, 2017.

	Years ending				
	June 30, 2013 (Budget)	June 30, 2014 (Projection)	June 30, 2015 (Projection)	June 30, 2016 (Projection)	June 30, 2017 (Projection)
Net patient service revenues:	28,223,180	28,200,000	30,350,000	31,564,000	32,510,920
Other revenue	322,100	250,000	260,000	270,000	280,000
Contractual adjustment	-265,000	0	0	0	0
Total revenue:	28,280,280	28,450,000	30,610,000	31,834,000	32,790,920
Expenses:					
Nursing services	11,290,468	11,629,182	12,094,349	12,336,236	12,706,323
Home care services	70,000	72,100	74,984	76,484	78,778
Special services	2,048,000	2,700,000	2,808,000	2,864,160	2,950,085
Dietary services	2,426,400	2,499,192	2,599,160	2,651,143	2,730,677
Laundry and housekeeping	1,504,240	1,549,367	1,611,342	1,643,569	1,692,876
Plant operations	1,264,340	1,300,000	1,400,000	1,428,000	1,470,840
Administrative services	3,840,520	3,955,736	4,113,965	4,196,244	4,322,132
Depreciation and amortization	238,000	730,000	1,250,000	1,220,000	1,200,000
Interest	0	332,174	996,523	977,897	957,029
Other	326,000	0	0	0	0
Total expenses	23,007,968	24,767,751	26,948,322	27,393,732	28,108,739
Operating income:	5,272,312	3,682,249	3,661,678	4,440,268	4,682,181
Add:					
Depreciation and amortization	238,000	730,000	1,250,000	1,220,000	1,200,000
Interest	0	332,174	996,523	977,897	957,029
Revenues available for debt service:	5,510,312	4,744,423	5,908,200	6,638,164	6,839,209
Deduct:					
Capital outlay	-200,000	-500,000	-200,000	-250,000	-300,000
Debt service	0	-332,174	-2,386,523	-2,387,897	-2,387,029
Net cash flow:	5,310,312	3,912,249	3,321,678	4,000,268	4,152,181
Cash balance beginning of year¹	11,625,410	16,935,722	20,847,971	24,169,649	28,169,916
Cash balance end of year	16,935,722	20,847,971	24,169,649	28,169,916	32,322,097
Debt service coverage:					
Current Debt Service	n.a.	14.28	2.48	2.78	2.87
Maximum Annual Debt Service ²	2.30	1.98	2.47	2.78	2.86

¹ Cash/Investments balance from June 30, 2012 audit

² Estimated \$2,391,494 in 2023

Source: The Authority

Management Comments Concerning Material Trends in Revenues and Expenditures

The Authority has been operated as a component unit of Columbus since the Authority's inception in 1970. The Health Care System originally started as a 100 bed nursing facility, but expanded in 1971 by absorbing a 32 bed annexed facility that was operated by the Junior League of Columbus. During 1974 a 50 bed unit was constructed to increase the bed count to 182 and in 1978 a 60 bed unit was constructed to increase the bed count to 242, its current skilled nursing capacity.

In 1989 bonds were issued to construct Cobis Personal Care Home, a 100 bed assisted living facility, and to replace the 32 bed annexed facility with a 32 bed addition to the original facility. In 1997 the Authority acquired a Certificate of Need to operate Muscogee Home Health to serve the Columbus, Georgia, area.

The Authority's long term plan for maintaining and improving the Health Care System was to build a replacement facility. In April 2004, the Authority purchased 27 acres to be used for future expansion; however Georgia's Medicaid reimbursement for property expenditures was too low at \$11.00 per patient/per day to allow the Authority to begin construction of a replacement facility. In 2009 the Fair Rental Value System ("FRVS") was approved with appropriate funding. This increased the maximum property reimbursement from approximately \$11.00 per patient/per day to \$25.00 per patient/per day. The FRVS provided the means for the Authority to pursue its construction of the New Facilities, which New Facilities will eliminate wards (rooms for 3 or more patients) to instead utilize more private rooms.

The acquisition of Azalea Trace Nursing Center on March 1, 2012, increased the Health Care System's skilled nursing beds by 110 beds for a total of 352 beds. Requests were submitted to the State to put 152 beds in the existing Muscogee Manor and Rehabilitation Center and to move 200 beds to the New Facilities on the 27 acre campus purchased in 2004. The Authority has received approval from the Department of Community Health as well as the State Fire Marshal to construct the New Facilities. The Authority anticipates making 127 beds of the 152 beds that will remain at the Current Facilities private rooms. The 200 beds at the New Facilities will encompass "culture change" with 76 private rooms and 62 semi-private rooms (semi-private rooms are separate rooms with 2 semi-private beds sharing 1 bathroom).

It is anticipated that the New Facilities will house its 200 beds in four wings, each wing with 42 beds and a rehabilitation wing with 32 beds. This design layout was chosen to maximize staffing ratios. The Authority chose a smaller bed capacity for the rehabilitation wing because of increased nursing care demands, but the rehabilitation wing will have the same staffing ratios as the four larger wings. All wings are designed to be an independent community with a kitchen, living room, dining room and outdoor area.

Over the past five years, the Authority's revenues were primarily affected by the State basing its reimbursement for Medicare/Medicaid on the Authority's 2006 Cost Report. Although the reimbursement rate did not change over this five year time period, the Authority's expenses continued to rise due to inflation, pay increases, etc. In 2012 the State increased the reimbursement rate to be based on the Authority's 2011 Cost Report.

The Authority's resident and staff numbers have essentially remained constant over the past five years due to the fact that the Health Care System normally retains a 90% occupancy rate for the number of beds it provides. Since the acquisition of Azalea Trace Nursing Center in March 2012, the Health Care System has realized occupancy rates as high as 98%.

The New Facilities will help to boost revenues of the Authority through a larger rehabilitation facility that will better enable the Health Care System to support the needs of the citizens in Columbus.

The effects of healthcare reform have not, as yet, had any impact on the Health Care System or on the Authority's Medicare & Medicaid reimbursements. As Congress develops and finalizes changes to the Country's healthcare system, the Authority will continue to monitor any and all changes very closely.

Accounting Policies

Pursuant to the Hospital Authorities Law, the Authority is required to engage a firm of certified public accountants to conduct an annual audit of the Authority's financial affairs, books, and records at the end of each fiscal year for the preceding year. The audits of the Authority for fiscal years 2007 to 2012 were performed in accordance with generally accepted accounting principles. The Authority is required to obtain an annual external audit performed by an audit firm selected by the Finance Committee

of the Board of Trustees. Mauldin and Jenkins, LLC, Certified Public Accountants, have conducted an annual audit of the Authority for the past five fiscal years.

Budgetary Process

The administrative staff of the Authority prepares an operating and capital budget annually containing proposed salary increases, general cost increases, and patient rate increases. The budget is approved by the Board of Trustees prior to the beginning of each fiscal year.

The Health Care System's budget process involves multiple steps. The important components of revenue involve research of census trends and laws and regulations controlling Medicare and Medicaid reimbursement. Expense forecasting involves salary studies, benefit analysis, and review of operational procedures to cover labor cost. Purchase of goods and services which comprise a smaller portion of expenses are projected from trend analysis and known factors with the most prevalent area being raw food, utilities, medical supplies, and drugs.

Current Operating Budget. Set forth below is a summary of the Authority's operating budget for the fiscal year ending June 30, 2013. The budget is based on figures supplied by the Management of the Authority, whose figures are based upon certain assumptions and estimates regarding future events, transactions, and circumstances. Realization of the results projected in this budget will depend upon implementation by management of policies and procedures consistent with the assumptions. There can be no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions, or that the projected results will be achieved. Accordingly, the actual results achieved could vary materially from those projected in the budget set forth below:

STATEMENT OF OPERATIONS as Budgeted for the Year Ended June 30, 2013

	Muscogee Manor Rehab Center	Cobis Personal Care Home	Muscogee Home Health	Azalea Trace	Combined Total
Revenues					
Net Patient Service Revenue	\$17,294,600	\$930,655	\$1,218,400	\$8,779,525	\$28,223,180
Other Revenue	298,000	12,000	100	12,000	322,100
Total Revenue	<u>\$17,592,600</u>	<u>\$942,655</u>	<u>\$953,500</u>	<u>8,791,525</u>	<u>\$28,280,280</u>
Contractual Adjustment	-0-	-0-	(265,000)	-0-	(265,000)
Expenses					
Nursing Services	\$7,652,000	-0-	\$349,000	\$3,289,468	\$11,290,468
Home Care Services	-0-	-0-	70,000	-0-	70,000
Special Services	1,416,000	-0-	193,000	439,000	2,048,000
Dietary Services	1,697,000	\$89,000	-0-	640,400	2,426,400
Laundry and Housekeeping	993,400	67,000	-0-	443,840	1,504,240
Plant Operations	846,000	156,000	-0-	262,340	1,264,340
Administrative Services	1,974,000	587,900	289,000	989,620	3,840,520
Depreciation and Amortization	162,000	74,000	1,000	1,000	238,000
Provision for Bad Debts	-0-	-0-	-0-	-0-	-0-
Other	200,000	25,000	1,000	100,000	326,000
Total Expenses	<u>\$14,578,400</u>	<u>\$998,900</u>	<u>\$903,000</u>	<u>\$6,165,668</u>	<u>\$22,645,968</u>
Operating Income (Loss)	\$3,014,200	(56,246)	\$50,500	\$2,625,857	\$5,634,311

Source: Hospital Authority of Columbus, Georgia.

COLUMBUS, GEORGIA

Introduction

Columbus, which encompasses an area of approximately 218 square miles, is located in the west central part of the State bordering on the Alabama state line, 110 miles southwest of Atlanta and approximately 85 miles east of Montgomery, Alabama. Columbus is a political subdivision of the State created by a Constitutional Amendment (the “**Amendment**”) which authorized the consolidation of Muscogee County with the City of Columbus. The Amendment was ratified in a general election held on November 5, 1968. The General Assembly of the State of Georgia, pursuant to powers in the Amendment, created a charter commission which prepared and submitted for ratification a charter for Columbus. This charter was ratified in an election held on November 3, 1970 and was ratified, *nunc pro tunc*, confirmed, enacted, and incorporated into the Acts of the General Assembly of Georgia, II Ga. L. 1971 Ex. Sess., p. 2007. Commencing January 1, 1971, Columbus became a consolidated city-county government, its territorial limits covering substantially all of what was formerly the County of Muscogee. This charter was amended and repealed in its entirety and replaced by the new Charter. Bibb City, a small textile community of approximately 600 residents, was not included in the consolidation and maintained its own municipal charter within the consolidated territory until the dissolution of the municipality was approved by the General Assembly of the State of Georgia in its 2001 legislative session, which resulted in Columbus succeeding to the powers and duties of Bibb City.

Columbus was the first consolidated city-county government in the State. As such, it has all of the governmental and corporate powers, duties, and functions formerly held and vested in the City of Columbus and Muscogee County. Consolidation resulted in the removal of duplicate services formerly rendered by the county and city governments, and as a result of consolidation, Columbus has been able to provide, under one management, urban services throughout its territorial limits more economically than would have been possible to render by the City of Columbus and Muscogee County separately.

Columbus is unique in Georgia in the authorized method of taxation allowed by the Amendment and the Charter. The Charter authorizes the creation of urban service districts and empowers Columbus to vary the rate and manner of taxation in each district to reasonably reflect the degree and level of services provided to each such urban service district. As a result, citizens pay taxes only for those services which they receive.

Government Format and Principal Officials

The consolidated government provided by the Charter is of the form known as the mayor/council-city manager form of government. The Mayor is elected for four-year terms by popular vote. The City Manager is appointed by the Mayor and confirmed by Council and is responsible for the day-to-day operation of the government. The Council of Columbus (the “**Council**”) consists of ten members, eight district councilors and two councilors-at-large. The eight district councilors are elected for four-year staggered terms and represent specific districts within the territorial limits of Columbus. The two councilors-at-large are elected for four-year staggered terms from the various districts. The Mayor and present members of the Council, the date of their initial election, the expiration of their current terms, and their present principal business or professional affiliations are as follows:

<u>Name</u>	<u>Initial Term Began</u>	<u>Current Term Expires</u>	<u>Principal Business</u>
Teresa P. Tomlinson, <i>Mayor</i>	January 3, 2011	January 5, 2015	Attorney
Jerry “Pops” Barnes	January 2, 2007	January 6, 2015	Retired
Glenn Davis	August 27, 2002	January 3, 2017	Retired, Prof. Baseball
Bruce Huff	January 4, 2011	January 6, 2015	Funeral Director
Evelyn Turner-Pugh	January 10, 1989	January 3, 2017	Banker
Mike Baker	January 2, 2007	January 6, 2015	Accountant
R. Gary Allen	January 5, 1993	January 3, 2017	Insurance
Evelyn “Mimi” Woodson	January 3, 1995	January 6, 2015	Banker
C.E. “Red” McDaniel	January 4, 1969	January 3, 2017	Insurance
Judy Thomas	January 4, 2011	January 6, 2015	Retired
Berry “Skip” Henderson	January 6, 1997	January 3, 2017	Insurance

The Council does not have a direct relationship with departments and employees of the government. It operates as a legislative body and interacts with the executive branch of Columbus, including all appointive officers, directors of departments, and employees by way of ordinances or resolutions formally adopted at Council meetings.

Employee Relations

As of January 1, 2013, Columbus employed approximately 2,591 full-time employees and 515 part-time employees and believes that it enjoys a good relationship with them. Columbus has never experienced a major disruption of services due to a strike or employee action. No employees of Columbus belong to labor unions or other collective bargaining groups. Columbus has no knowledge of any union organizing efforts.

Employees of Columbus are provided a flexible benefits plan, social security, unemployment compensation, workers' compensation, and life insurance, which are paid for by Columbus. Health insurance is provided by Columbus for a nominal employee contribution. The Authority and employees of the Health Care System are considered employees of Columbus and are included in all such benefits provided by Columbus.

Governmental Agencies

The Columbus Building Authority (the “**Building Authority**”) was created pursuant to an amendment to the Constitution of the State of Georgia for the purpose of acquiring, constructing, and equipping self-liquidating projects for use by Columbus for its governmental, proprietary and administrative functions. The Building Authority has issued several series of bonds for various governmental purposes which are now outstanding. The aggregate principal amount of the Building Authority’s bonds outstanding as of June 30, 2012 was \$141,775,000.

The Hospital Authority of Columbus (formerly the Muscogee County Hospital Authority) was created pursuant to the Hospital Authorities Law of Georgia and operates two nursing home facilities. The Authority is composed of nine members who are appointed by the Council. The Authority has the power, among other things, to issue revenue anticipation certificates, and Columbus is subject to a contractual obligation to pay any deficiency in debt service on such certificates in the event the revenues of the Authority are insufficient for such purpose. The Authority currently has no outstanding certificates, but plans to issue the Series 2013 Certificates in calendar year 2013. The amount of such contractual obligation is presently limited to the imposition of an annual tax within Columbus at a rate not to exceed four (4) mills of the seven (7) mills authorized by the Hospital Authorities Law of Georgia.

The Housing Authority of Columbus (the “**Housing Authority**”) was created under and by virtue of State law. The Housing Authority operates independently of Columbus; however, Housing Authority members are appointed by the Mayor and must be confirmed by the Council. The Housing Authority is responsible for maintaining, building and managing housing units for the lower income and elderly citizens of the community. The Housing Authority presently operates approximately 2,259 units of public housing and administers Section 8 program funding for an additional 2,329 units.

The Medical Center Hospital Authority of Columbus, Georgia (the “**Medical Center Hospital Authority**”) was created pursuant to the Hospital Authorities Law of Georgia. Under the Hospital Authorities Law of Georgia, the Medical Center Hospital Authority has broad powers to acquire, construct, improve, alter and repair hospitals, clinics, nursing homes, extended care facilities, medical office buildings and other public health facilities and to issue revenue anticipation certificates. The Medical Center Hospital Authority, which consists of nine members appointed by the Council, owns the Columbus Regional Healthcare System, which includes the Medical Center Hospital, a general full-service hospital, which it leases to Medical Center, Inc. The Medical Center Hospital Authority currently has revenue certificates outstanding in the approximate amount of \$275,000,000, but such debt is not secured by Columbus. However, Columbus currently levies a three (3) mill ad valorem tax to fund a contract it entered into with the Medical Center Hospital Authority for inmate and indigent care services.

The Columbus Airport Commission (the “**Airport Commission**”) was created by an amendment to the Constitution of the State of Georgia on November 5, 1968. The purpose of the Airport Commission, which consists of five members appointed by the Council, is to manage the properties, improvements and operation of the Columbus Metropolitan Airport (the “**Airport**”). The Council must approve all expenditures in excess of \$1,000 and is obligated to subsidize the operations of the Airport in an amount of at least \$40,000 per year. Specific Council approval is required for any subsidy in excess of \$40,000 per year.

The Development Authority of Columbus, Georgia (the “**Development Authority**”) was created pursuant to State law to aid the development of industry in the community. The Development Authority is vested with the authority to issue revenue bonds, but such bonds will not constitute a lien on the revenues

or represent an obligation of Columbus. Members of the Development Authority are appointed by the Council.

The Board of Water Commissioners of Columbus, Georgia (the “**Board of Water Commissioners**”) was created pursuant to legislative authority granted originally in 1902 and reaffirmed by the ratification in 1971 of the Charter. The Board of Water Commissioners consists of five members, including the Mayor of Columbus, *ex officio*, and four members appointed by the Council. The Board of Water Commissioners is responsible for the operation and management of Columbus water and waste water treatment systems.

The Muscogee County School District, created by virtue of an amendment to the Constitution of the State of Georgia, is autonomous from Columbus in the operation of the public school system. Members of the Board of Education are elected by Columbus voters to four-year staggered terms. Unlike other county school systems in Georgia which have the sole discretion and authority to levy a tax up to but not exceeding 20 mills, the Muscogee County School System may adopt a tax levy for school purposes of not more than 25 mills.

The Columbus Iron Works Convention and Trade Center Authority (the “**Convention Authority**”) was created by Ordinance No. 83-79 in 1983. The Convention Authority supervises and operates the Columbus Iron Works Convention and Trade Center as a subordinate branch of Columbus. Columbus has directly or indirectly guaranteed the Convention Authority’s debts, is responsible for financing deficits and also is entitled to any excess of revenues over expenses generated by the Convention Authority. The Convention Authority’s board is appointed and serves at the pleasure of the Council.

The Columbus Golf Authority (the “**Golf Authority**”), created by Ordinance No. 82-29, was originally named the Bull Creek Golf Authority. The Golf Authority provides recreation opportunities to the general public and is responsible for the operation of Bull Creek Golf Course and Oxbow Meadow Golf Course. Columbus has directly or indirectly guaranteed the Golf Authority’s debts. The Golf Authority’s board is appointed by the Council and may be removed at any time.

The Columbus Convention and Visitor’s Bureau (the “**Bureau**”) was established as a commission by Ordinance 80-51 adopted April 1980. The Bureau was created to promote tourism, trade and conventions for the benefit of the community. The Bureau is presented as a proprietary component unit. Columbus is responsible for any deficit and is entitled to the surplus revenue received or generated by the Bureau. The annual budget must be presented to the Council of Columbus. The Bureau’s board is appointed by the Council and may be removed at any time.

Government Services and Facilities

Columbus provides a full range of services, including police and fire protection services and emergency medical services to residents of Columbus, the cost of which is financed by General Fund revenues. Columbus provides garbage collection services to residents of Columbus, the cost of which is financed by user fees. Columbus transports the garbage it collects to one of three landfills which it owns, one of which is a sanitary landfill and two of which are inert landfills, the use of which is limited to horticultural material. Columbus also provides recreational, cultural, health and social services, traffic control, and criminal justice services to its residents. In addition, it acquires, constructs, and maintains roads, stormwater drainage systems and other infrastructure, the cost of which is financed by General Fund and dedicated revenues. Additionally, Columbus provides planning and building inspection services to its residents, the cost of which is financed by permit fees. Columbus owns and operates a public transportation system, Metra, the cost of which is financed by user charges and inter-governmental grants. Water and sanitary sewer service is provided through its Board of Water Commissioners.

Columbus is divided into a General Services District and three Urban Services Districts, in which taxes are levied in accordance with the kind, character, type, degree, and level of services provided by Columbus within each district. The Urban Services Districts consist of areas where Columbus has provided the higher levels of services, and Columbus performs within the Urban Services Districts more comprehensive and intensive levels of services than it does in the General Services District. Urban Services District #1 includes most of the developed land in Columbus. Urban Services District #2 primarily consists of undeveloped land located in the northern and eastern portions of Columbus. The General Services District consists of the entire area within the territorial limits of Muscogee County. The only portions of the General Services District that are not included in either Urban Services District #1 or #2 are some utilities and small areas of taxable property located on the Fort Benning Military Reservation.

As of January 1, 2013, the Columbus police department has one police station, three precincts, 488 sworn police officers, 107 civilian employees, and 527 vehicles, and maintains a 24-hour uniformed patrol. Columbus fire and emergency medical services department has fourteen fire stations, 36 vehicles, 10 ambulances, 25 fire engines ranging from 1,000 to 1,500 gallons per minute, and 378 fire fighters. The Fire and Emergency Medical Services Departments were merged in fiscal year 2002 to streamline delivery of services to citizens. All fire fighters hired after November 2002 have EMT certification and all EMS personnel have firefighter certification. There are several firefighters who are working on paramedic certification. The National Board of Fire Underwriters' fire insurance rating was upgraded on August 1, 2001 from Class 3 to Class 2 for Columbus. Only twenty of 1,026 fire departments in the State have a Class 2 rating. Additionally, the Department of Fire and Emergency Medical Services received Accredited Agency status with the Commission on Fire Accreditation International on August 2, 2002 and Re-Accredited on August 7, 2007. There is currently pending a recommendation for re-accreditation in March 2013. There are only 133 departments in the world with international accreditation. Columbus Fire and Emergency Medical Services employs a Chief Officer that is one of only sixty nationwide that holds the designation of Chief Medical Officer and one of twenty-three nationwide that holds dual designations of Chief Fire Officer and Chief Medical Officer.

Columbus maintains approximately 1,172 miles of streets and 14,063 street lights. The integrated waste department has 100 vehicles and 104 employees. The public services department has 211 vehicles and 429 employees who perform street and drainage maintenance as well as other public works. Columbus owns and maintains 52 parks containing approximately 3,467 acres, six swimming pools, eight community centers, 51 tennis courts, and various other cultural and recreational facilities. There are nine libraries in Columbus with total holdings in excess of 400,000 volumes.

Demographic and General Information

The City of Columbus serves as the trade, distribution, manufacturing, medical and financial center for a 26 county area (18 in Georgia and 8 in Alabama) and is one of seven metropolitan statistical areas ("MSA") located in the State. Prior to January 1, 1993, the Columbus MSA comprised Muscogee County and Chattahoochee County, Georgia, and Russell County, Alabama. On January 1, 1993, Harris County, Georgia was added to the Columbus MSA. Based on the 2010 census compiled by the U.S. Bureau of the Census, the Columbus MSA had a population of 294,865 and incorporated 1,100 square miles. Columbus includes 20% of the MSA land area and approximately 51% of the MSA population.

<u>Census Year</u>	<u>Columbus MSA</u>	<u>Percentage Change</u>	<u>Columbus</u>	<u>Percentage Change</u>	<u>Total Muscogee County</u>	<u>Percentage Change</u>
1960	217,985	--	116,779	--	158,623	--
1970	238,584	9.4%	154,092	32.0%	167,377	5.5%
1980	239,196	0.3%	169,441	10.0%	170,108	1.6%
1990	243,072	1.6%	178,681	5.5%	179,278	5.4%
2000	267,384	10.0%	185,781	4.0%	186,291	3.9%
2010	294,865	10.3%	189,885	2.2%	189,885	1.9%

Source: U.S. Bureau of the Census.

Per Capita Personal Income

The following table sets forth the per capita personal income in Columbus, the State of Georgia, and the United States for the years 2005 through 2011. Information for 2012 is not yet available.

<u>Year</u>	<u>Columbus</u>	<u>Georgia</u>	<u>United States</u>
2005	\$31,254	\$32,775	\$35,452
2006	33,065	34,061	37,725
2007	34,882	35,369	39,506
2008	36,598	35,857	40,947
2009	35,418	33,887	38,637
2010	36,621	34,531	39,791
2011	38,653	35,979	41,560

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data.

Median Home Values

The following table sets forth the median home values for the County, the State and the United States for the census years 1980, 1990, 2000, and 2010.

<u>Year</u>	<u>County</u>	<u>Georgia</u>	<u>United States</u>
1980	*	\$36,900	\$47,200
1990	\$58,900	71,300	79,100
2000	84,000	111,200	119,600
2010	135,100	156,200	179,900

*denotes information that is not available.

Source: U.S. Department of Commerce, Bureau of Census.

Bank Deposits

As of June 30, 2012, 225 financial systems with a total of 72 branch offices provided banking services within Columbus MSA. The following are the total deposits in Columbus's financial systems as of June 30 in each of the years 2007-2012, rounded to the nearest million.

<u>Year</u>	<u>Columbus Amount</u>	<u>Percentage Change</u>
2007	\$5,218,000,000	--
2008	5,479,000,000	5.0%
2009	7,124,000,000	30.0
2010	7,758,000,000	8.9
2011	8,375,000,000	8.0
2012	7,008,000,000	(16.3)

Source: State of Georgia Department of Banking and Finance.

Industry and Employment

Commercial Employers. Set forth below are the largest commercial employers located in the Columbus MSA as of January 1, 2013, their type of business, and their approximate number of employees. There can be no assurance that any employer listed below will continue to be located in the Columbus MSA or will continue employment at the level stated. No independent investigation has been made of, and no representation can be made as to, the stability or financial condition of the companies listed.

LARGEST AREA EMPLOYERS

<u>Commercial Employer</u>	<u>Type of Business</u>	<u>Employees</u>
TSYS	Credit card processing	4,300
Columbus Regional Healthcare System	Healthcare	3,883
AFLAC	International Insurance Company	3,700
KMMG	Automobile Manufacturer	3,000
Pezold Management Assoc. Inc.	Restaurants	2,200
St. Francis Hospital	Hospital	1,800
BlueCross BlueShield of Georgia	Insurance	1,650
Synovus Financial Group	Financial Services	1,400
Callaway Gardens	Gardens and Resort Services	1,200
Mead Westvaco Mahrt Operations	Coated paperboard & forestry	945
Synder's-Lance Inc	Snack Foods	800
Kysor Warren	Refrigeration	786
Johnson Controls Inc	Automobile Parts	737
Columbus Bank and Trust Company	Bank	618
W.C. Bradley Company	Corporate offices, development	550
NCR	Technology	500
Pratt & Whitney Engine Service, Inc.	Aircraft maintenance and repair	465

Source: Greater Columbus Chamber of Commerce.

Governmental Employers. Set forth below are the five largest governmental employers located in the Columbus MSA as of January 1, 2013, their type of service, and their approximate number of employees. There can be no assurance that any employer listed below will continue employment at the level stated.

<u>Governmental Employer</u>	<u>Type of Service</u>	<u>Employees</u>
Fort Benning Military Reservation	Military post and civilians	42,000
Muscogee County School System	Public education	6,159
Columbus Consolidated Government	Consolidated City/County government	2,943
Columbus State University	Education	1,010
Harris County School System	Public Education	700
West Central Georgia Regional Hospital	Healthcare	457

Source: Greater Columbus Chamber of Commerce.

Economic Sector Distribution. The following table shows the average percentage of persons who worked in each major sector of the local economy in the Columbus MSA in the years 2007 through 2011. Data are annual averages for each respective year. Figures are based on employees covered under the State unemployment insurance program.

<u>Industry</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Agriculture, Forestry & Fishing	0.2%	0.2%	0.2%	0.2%	0.2%
Mining	0.1	0.1	0.1	0.1	0.1
Construction	4.8	4.7	4.2	4.0	3.8
Manufacturing	8.2	7.8	6.9	6.9	7.5
Transportation, Warehousing and Public Utilities	1.1	1.6	1.9	1.8	1.8
Wholesale Trade	2.5	2.6	2.5	2.6	2.5
Retail Trade	11.6	11.1	10.7	11.0	11.0
Finance, Insurance, and Real Estate	7.9	7.7	6.5	7.2	10.8
Other Industries and Service	44.8	44.8	46.5	45.3	41.4
Federal, State, and Local Government	<u>18.8</u>	<u>19.4</u>	<u>20.5</u>	<u>20.9</u>	<u>20.9</u>
Total:	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: State of Georgia Department of Labor, Labor Information Systems.

Civilian Employment Statistics of Columbus MSA. Employment includes nonagricultural wage and salary employment, self-employed, unpaid family and private household workers, and agricultural workers. Persons in labor disputes are counted as employed. The use of rounded data does not imply that the numbers are exact.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012¹</u>
Employment	120,999	117,729	116,766	118,741	120,234
Unemployment	<u>8,148</u>	<u>11,844</u>	<u>12,251</u>	<u>12,214</u>	<u>11,772</u>
Total Labor Force	129,147	129,573	129,017	130,955	132,006
MSA Unemployment Rate	6.3%	9.1%	9.5%	9.3%	8.9%
State Unemployment Rate	6.2%	9.6%	10.2%	9.8%	9.0% ²
U.S. Unemployment Rate	5.8%	9.3%	9.6%	8.9%	8.1% ²

Note: Data are annual averages. Columbus MSA includes certain Georgia and Alabama counties.

¹ Figures shown for calendar year 2012 represent an average of the first eleven months of 2012.

² Percentages shown were calculated using unadjusted numbers.

Source: State of Georgia Department of Labor, Labor Information Systems.

DEBT STRUCTURE OF COLUMBUS

Categories of Indebtedness

As is shown in the following table, Columbus has a moderate debt burden. Most outstanding debt is self-supporting, although Columbus bears a contractual or moral obligation to provide funding in the event of a deficiency. Columbus's contractual obligations under the Contract pertaining to the Authority's Series 2013 Certificates will constitute an increase in its outstanding contractual obligation debt.

Summary of Indebtedness

<u>Category of Debt</u>	<u>Amount Outstanding as of October 3, 2012</u>
GENERAL OBLIGATION DEBT	-0-
CONTRACTUAL OBLIGATIONS: ¹	
Hospital Authority of Columbus ^{1(a)}	\$-0-*
HUD Section 108 ^{1(b)}	3,000,000
Columbus Building Authority ^{1(c)}	134,122,220
Water & Sewer Revenue Bonds ^{1(d)}	-0-
Water & Sewer State Revolving Fund Loan ^{1(e)}	49,960,398
Columbus Convention & Trade Center ^{1(f)}	4,573,188
Columbus Golf Authority	464,592
Columbus Airport Commission	605,000
Columbus Water Works Notes	-0-
Total Contractual Obligations	<u>\$192,725,398*</u>
NON-GUARANTEED REVENUE BONDS:	
Water & Sewer Bonds	<u>\$156,760,000</u>
GROSS DIRECT DEBT	\$349,485,398*
LESS SELF-SUPPORTING OBLIGATIONS	
Hospital Authority of Columbus	\$-0-*
Water & Sewer Revenue Bonds	156,760,000
Water & Sewer State Revolving Fund Loan	49,960,398
Columbus Convention & Trade Center	4,573,188
Columbus Golf Authority	464,592
Columbus Airport Commission	605,000
Columbus Water Works Notes	-0-
Total Self-Supporting Obligations	<u>\$212,363,178</u>
NET DIRECT DEBT	\$137,122,220
OVERLAPPING DEBT	
Muscogee County School District	<u>\$52,915,000</u>
TOTAL NET DIRECT & OVERLAPPING DEBT	\$190,037,220*

¹ Financial obligations of Columbus, represented by separate intergovernmental contracts with the named public entities. These obligations, however, do not constitute debt of Columbus for purposes of the constitutional debt limit described herein and do not count against Columbus's debt limitation.

- (a) Bonds of the Authority are secured by a contractual agreement with Columbus whereby Columbus agrees to pay any deficiency on the principal of and interest coming due on such bonds which cannot be paid from the gross revenues of the Authority. Columbus is obligated to the Authority under the Contract to levy an annual ad valorem tax on all taxable property located within the territorial limits of Columbus at a rate not to exceed four (4) mills of the seven (7) mills limit authorized under the Hospital Authorities Law of Georgia.
- (b) Notes Payable: notes payable pursuant to a loan guarantee by HUD under Section 108 of the Housing and Urban Development Act of 1974 and refinanced in FY2008 due in annual installments of \$750,000 through August 1, 2016; interest at 2.62% to 4.48%.
- (c) Bonds of the Building Authority are secured by lease payments payable by Columbus to the Building Authority pursuant to certain lease contracts. The rental payments under the various leases are in amounts sufficient to cover the debt service on the Building Authority's outstanding bonds. A portion of the Building Authority's debt is allocated, for accounting purposes, to the Columbus Convention & Trade Center, the Bull Creek Golf Authority, the Columbus Water Works, and the Oxbow Creek Golf Authority because each of those entities is responsible for a portion of the Building Authority's debt.
- (d) The ordinance adopted by the Council authorizing the issuance of CITY OF COLUMBUS WATER AND SEWERAGE REVENUE BONDS, SERIES 1991, provides that Columbus will make semi-annual payments to the Columbus Water Works sufficient in amount to pay debt service on a portion of the bonds issued. The amount of debt service to be paid by Columbus is proportionate to the amount of total bond issue which was used for the benefit of a city facility. As of June 30, 2012 the principal portion for which Columbus is obligated to make such payments was -0-.
- (e) The Board of Water Commissioners of Columbus, Georgia has entered into seven state revolving fund ("SRF") loan contracts for financing environmental facilities and for other services through the Georgia Environmental Finance Authority. The balance of these SRF loans as of June 30, 2012 was \$49,960,398. Although debt service on the SRF loans is paid from revenues of the water and sewer system, the SRF loan contracts state that the taxing power of Columbus is pledged to the repayment of the principal of and interest thereon.
- (f) Part 2 of Article 4 of Chapter 5 of Title 3 of O.C.G.A. provides for the levy by municipalities and counties of uniform excise taxes on the sale of malt beverages. O.C.G.A. § 3-5-83(a), which is contained in said part, provides that "[a]ny tax realized pursuant to this part by a consolidated government existing on July 1, 1981, which is in excess of the amount levied on December 1, 1972, will be used to construct a convention center or to pay for the operation of a convention center." Tax moneys received by Columbus pursuant to this section are sufficient to pay the principal of and interest on the outstanding Columbus Building Authority Convention and Trade Center Revenue Bonds. Consequently, these bonds are reported separately from other bonds of the Building Authority.

Indebtedness of Overlapping Governmental Entities

Property owners in Columbus are responsible for both Columbus's debt obligations and any debt obligations of other taxing entities in the proportion to which the jurisdiction of Columbus overlaps such entities. The only overlapping entity that is a taxing entity is the Muscogee County School District. As of August 1, 2012, the Muscogee County School District had \$52,915,000 of outstanding general obligation debt. Although Columbus has attempted to obtain accurate information as to the overlapping debt, it does not guarantee its completeness or accuracy, as there is no central reporting entity which has this information available, and the amounts are based on information supplied by others.

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Debt Ratios

The following table sets forth certain debt ratios of Columbus as of the most current fiscal year ended June 30, 2012.

	<u>General Obligation Debt</u>	<u>Net Direct Debt</u> ¹	<u>Overlapping Debt</u>	<u>Total Tax Supported Debt</u>
Per Capita Debt ²	\$0	\$739.85	\$278.67	\$1,018.52
Percentage of Gross Tax Digest ³	0.0%	2.75%	1.03%	3.78%
Percentage of Fair Market Value ⁴	0.0%	1.10%	0.41%	1.51%
Per Capita Debt as a Percentage of Per Capita Income ⁵	0.0%	1.99%	0.75%	2.74%

¹ See "DEBT STRUCTURE OF COLUMBUS – Categories of Indebtedness" herein.

² Based upon 2010 population of 189,885.

³ Based upon 2012 Gross Tax Digest of \$5,115,803,165.

⁴ Based upon 2012 Estimated Actual Value of \$12,789,436,987.

⁵ Based upon 2010 Per Capita Income of \$37,093.

Long and Short Term Indebtedness

Short Term Debt. Columbus has no short term debt outstanding and has no plans to issue short term obligations. During the past five fiscal years, Columbus has not incurred tax anticipation debt or any other short term debt.

Long Term Indebtedness. Pursuant to an election held in Columbus on the 15th day of July, 2008, the voters of Columbus authorized the levy and collection of a 1% Other Local Option Sales Tax which commenced on January 1, 2009 with no expiration date. The sales tax passed could provide for funding for capital outlay projects, which approval included authorization for Columbus to issue bonds to be paid from proceeds of such sales tax.

Columbus plans to issue approximately \$40 million of bonds through the Columbus Building Authority for road and street construction, expansion of the Muscogee County Jail (Detention Facility), and expansion of the Cooper Creek Tennis Center in the near future.

Except for direct proceeds from the current sales tax, capital projects for Columbus have been funded through transfers of available moneys from operating funds and grant funds and with bonds issued by the Columbus Building Authority. Columbus has never defaulted on the payment of any of its debt, and there are no records which indicate that prior to consolidation either Columbus or Muscogee County ever defaulted on any debt issued by those governmental entities. The following table shows the amount of long term indebtedness outstanding as of the end of each of Columbus's past six fiscal years.

<u>Reporting Period</u>	<u>General Obligation Debt</u>	<u>Contractual Obligations</u>	<u>Water & Sewer Revenue Bonds</u>	<u>Gross Long Term Direct Debt</u> ¹
June 30, 2012	-0-	\$196,090,398	\$156,760,000	\$352,850,398
June 30, 2011	-0-	203,069,690	162,530,000	365,599,690
June 30, 2010	-0-	209,354,040	169,185,000	378,539,040
June 30, 2009	-0-	125,628,298	178,550,000	304,178,298
June 30, 2008	\$ 7,345,000	127,938,339	143,950,000	279,233,339
June 30, 2007	20,075,000	130,831,420	150,775,000	301,681,420

¹ Gross Long Term Direct Debt includes self-supporting obligations of \$212,338,178 in fiscal year 2012, for a total net direct/contractual debt of \$140,487,220.

Debt Limitation

Article IX, Section V, Paragraph I(a) of the Constitution of the State of Georgia provides that Columbus may not incur debt (other than refunding obligations) payable out of general property taxes without the approval of a majority of the qualified voters of Columbus voting at an election called to approve the obligations. In addition, under the Constitution of the State of Georgia, Columbus may not incur long-term obligations payable out of general property taxes in excess of 10% of the assessed value of all taxable property within Columbus.

Short-term obligations (those payable within the same calendar year in which they are incurred), lease and installment purchase obligations subject to annual appropriation, and intergovernmental obligations (including the Contract between the Authority and Columbus) are not subject to the legal limitations described above.

As computed in the following table, based upon assessed values for calendar year 2012, Columbus could incur, upon necessary voter approval, immediately after the issuance of the Series 2013 Certificates, approximately \$446,934,463 of long-term obligations payable out of general property taxes.

Computation of Legal Debt Margin

Gross Tax Digest for the County as of January 1, 2012 ¹	\$4,728,950,653
Less Bond Exemptions	(259,606,028)
Net Bond Tax Digest	\$4,469,344,625
Debt Limit (10% of Assessed Value)	\$446,934,463
Less Amount of Outstanding Debt Applicable to Debt Limit	-0-
Legal Debt Margin.....	\$446,934,463

¹ For purposes of calculating the Legal Debt Margin, the Gross Tax Digest only includes Real & Personal Property and Public Utilities.

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FINANCIAL INFORMATION CONCERNING COLUMBUS

Five Year General Fund Operating History

Set forth below is a historical, comparative summary of the actual revenues, expenditures, and changes in fund balance of Columbus's General Fund for its past five fiscal years. Information in the table for fiscal years 2008 through 2012 has been extracted from audited financial statements of Columbus for the years ended June 30, 2008, to June 30, 2012. Although taken from audited financial statements for fiscal years 2008 through 2012 no representation is made that the information as shown is comparable from year to year, or that the information as shown taken by itself presents fairly the financial condition of Columbus, for the fiscal years shown. For more complete information, reference is made to the audited financial statements of Columbus for fiscal year 2012, which are included in this Official Statement as Appendix B, to the audited financial statements for fiscal years 2008 to 2011, copies of which are available from Columbus upon request.

	<u>Fiscal Years Ended June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues					
General Property Taxes ¹	\$49,039,351	\$51,095,418	\$50,979,859	\$23,576,490	\$51,937,884
Sales and Use Taxes	39,960,334	48,792,556	70,439,065	71,774,482	75,408,479
Other Taxes	26,600,295	25,811,084	25,262,265	24,706,315	24,373,973
Licenses and Permits	2,898,730	2,258,659	2,208,077	2,513,376	2,712,462
Intergovernmental Revenues	326,534	329,690	488,825	314,753	347,251
Charges for Services	16,984,537	17,637,809	14,624,772	17,672,948	18,256,454
Interest Revenues	3,263,570	2,293,906	1,931,851	1,408,725	712,402
Fines and Forfeitures	3,965,100	4,336,914	4,919,863	5,039,373	5,475,387
Sales and Rentals	520,102	526,304	456,875	595,988	640,748
Private Contributions	-0-	-0-	-0-	-0-	-0-
Miscellaneous	401,519	4,407,153	609,756	671,991	698,569
Total Revenues	\$143,960,072	\$157,489,493	\$171,921,208	\$148,274,441	\$180,563,609
Expenditures					
Current:					
General Government	\$28,766,481	\$31,223,565	\$28,452,419	\$34,834,078	\$36,347,369
Public Safety	84,745,743	90,814,803	99,548,590	102,003,253	104,660,827
Public Works	9,357,349	9,820,062	10,141,342	13,618,716	12,223,006
Culture and Recreation	9,637,459	10,493,164	10,206,118	10,538,896	10,781,101
Health and Welfare	2,325,533	2,114,083	2,204,668	2,196,393	2,157,515
Urban Develop & Housing	1,807,257	2,123,417	1,909,483	1,822,716	1,829,396
Economic Opportunity	-0-	-0-	-0-	-0-	-0-
Capital Projects	-0-	-0-	-0-	-0-	-0-
Debt Service:					
Principal Retirement	-0-	-0-	-0-	-0-	-0-
Interest and Fiscal Charges	-0-	-0-	-0-	-0-	-0-
Total Expenditures	\$136,639,822	\$146,589,094	\$152,462,620	\$165,014,052	\$167,999,214
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	7,320,250	10,900,399	19,458,588	(16,739,611)	12,564,395
Other Financing Sources (Uses)					
Transfers In	-0-	-0-	2,500,000	1,750,916	2,185,000
Transfers Out ²	(12,730,441)	(4,861,990)	(4,618,877)	(6,859,725)	(12,562,174)
Total Other Financing Sources (Uses)	(12,730,441)	(4,861,990)	(2,118,877)	(5,108,809)	(10,377,174)
Net Change in Fund Balance	(5,410,191)	6,038,409	17,339,711	(21,848,420)	2,187,221
Fund Balance – Beginning	\$54,688,871	\$49,278,680	\$55,317,089	\$72,656,800	\$51,135,799
Prior Period Adjustment	-0-	-0-	-0-	327,419	-0-
Fund Balance As Restated	\$54,688,871	\$49,278,680	\$55,317,089	\$72,984,219	\$51,135,799
Fund Balance – Ending	\$49,278,680	\$55,317,089	\$72,656,800	\$51,135,799	\$53,323,020

Accounting Policies

The accounting policies of Columbus conform to generally accepted accounting principles (“GAAP”) as applicable to government units. Columbus uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Columbus implemented Statement No. 34 of the Government Accounting Standards Board (“GASB”) during the fiscal year ending June 30, 2002. The government wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for Columbus. Fiduciary activities are not included in these statements.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Accordingly, all of Columbus’s assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. The types of transactions reported as program revenues are reported in three categories: charges for services, operating grants and contributions, and capital grants and contributions.

Certain eliminations have been made as a result of GASB Statement No. 34 relating to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated.

As prescribed by GASB Statement No. 34, the major *governmental funds* are as follows:

- *General Fund* is the principal operating fund of Columbus and is used to account for all activities of Columbus not otherwise accounted for in a specified fund. The General Fund contains all revenues except those which are specifically allocated by law for other purposes. Columbus may appropriate money from the General Fund for all ordinary expenses. The General Fund finances such diverse activities as police and fire protection, parks and recreation facilities, and general administration. Its revenues include general property and sales taxes, franchise taxes, business gross receipts taxes, permits and fees, parking meter receipts, and contributions from other governmental agencies. Columbus has established as a goal the maintenance of unreserved General Fund balances equal to two months’ average expenditures.
- *Medical Center Fund* accounts for funding provided for indigent hospital care for the residents of Columbus.
- *1999 Sales Tax Project Fund* accounts for projects supported by the 1999 SPLOST not paid for by general obligation sales tax bonds including road projects and various capital outlay projects.
- *Columbus Building Authority Capital Improvement Lease Revenue Bonds (Taxable – Build America Bonds – Direct Payment), Series 2010B* accounts for the proceeds of the Series 2010B Bonds for construction of various capital outlay projects of Columbus.

Columbus reports the following major *Proprietary Funds*:

- *Integrated Waste Management* accounts for the costs of providing refuse collection and disposal services to the community.
- *Civic Center Fund* accounts for the operations of the South Commons Civic Center.

Additionally, Columbus reports the following fund types.

- *Internal Service Funds* account for the financing of goods and services provided by one department or agency to other departments of agencies of the government on a cost reimbursement basis. Columbus has two internal service funds: the *Employee Health Insurance Fund* is used to account for the self-funded employee health insurance program and the *Risk Management Fund* is used to account for vehicle accident and workers' compensation claim management and related costs.
- *Fiduciary Funds* are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Pension Fund is accounted for in this fund group and is held in an irrevocable trust fund. Agency Funds are used to account for assets that the government holds on behalf of others as their agent. Columbus has eight (8) Agency Funds.

Note A of the general purpose financial statements of Columbus included as Appendix B to this Official Statement contains a detailed discussion of Columbus's significant accounting policies.

The Government Finance Officers Association of the United States and Canada ("GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting (the "Certificate of Achievement") to Columbus for its comprehensive annual financial reports for twenty-one consecutive years, fiscal years ended June 30, 1989 through June 30, 2010. The annual financial report for the fiscal year ended June 30, 2011 has been submitted to the GFOA for consideration for award of the Certificate of Achievement. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be eligible for a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, which meets GAAP.

Budgetary Process

General Description. The Charter of Columbus provides that the Mayor and the Council will adopt an annual operating and capital budget which will apply to all departments and agencies of the government. The budget is prepared and submitted by the Mayor to the Council for its consideration prior to the commencement of the ensuing fiscal year. It is mandatory that the budget include an appropriation sufficient to cover bond debt service and contractual lease payments. Funds so appropriated cannot be diverted for any other purpose.

Budget control is maintained at the department level within the individual fund. All budget transfers, however, must be approved by the City Manager or the Council, depending on the type of expenditure. Purchase orders are pre-audited as to budget availability. A computerized purchasing system establishes an encumbrance against the budget at the time the purchase order is issued. The purchase order is then released to the vendor. Budgets for the General, Debt Service, and certain Special Revenue Funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase. The major difference between the budget basis and GAAP is that encumbrances are recognized as expenditures for budgetary purposes. Open encumbrances are reported as reservations of fund balance at year-end. Unencumbered appropriations supported by general operating revenues lapse at year-end. Appropriations of grant-supported operations and capital projects are carried forward to the succeeding fiscal years.

Current Budget – Fiscal Year Ending June 30, 2013. A summary of Columbus's adopted Annual Operating Budget for the fiscal year ending June 30, 2013 is set forth on the following page. The budget is based upon certain assumptions and estimates of Columbus regarding future events, transactions, and circumstances. Realizations of the results projected in this budget will depend upon implementation by management of policies and procedures consistent with the assumptions. Accordingly, the actual results achieved could materially vary from those projected in the budget shown.

The Government Finance Officers Association of the United States and Canada ("GFOA") has awarded Columbus the Distinguished Budget Presentation Award for its budget documents for the fiscal year beginning July 1, 2010. This was the nineteenth consecutive year Columbus received this award. The annual financial report for the fiscal year ended June 30, 2011, has been submitted to the GFOA for consideration for award of the Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award is a prestigious national award recognizing conformance with the highest standards

for preparation of state and local government budgeting. In order to be eligible for a Distinguished Budget Presentation Award, a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

GENERAL FUND	<u>FY12 Budget</u>	<u>FY13 Budget</u>
REVENUES		
Property Taxes ¹	\$50,903,077	\$54,188,284
Sales Taxes	68,362,317	75,235,325
License, Gross Receipts, and Public Utility Taxes	24,074,522	23,110,168
Courts	4,555,500	4,706,500
Fees and Permits	2,227,570	2,521,100
Intergovernmental Revenues	337,659	326,172
Charges for Services	17,379,681	17,806,389
Miscellaneous Revenues	<u>1,583,741</u>	<u>1,460,219</u>
Total Revenues	\$169,424,067	\$179,354,157
EXPENDITURES		
General Government	\$35,562,891	\$43,564,797
Public Safety	102,685,323	104,755,228
Public Services	16,652,105	15,466,800
Culture and Recreation	10,205,350	10,439,902
Health & Welfare	2,209,438	2,201,028
Urban Development & Housing	1,891,945	1,930,293
Other Non-Departmental	<u>12,642,908</u>	<u>11,000,500</u>
Total Expenditures	\$181,849,960	\$189,358,548
Excess Revenues Over (Under) Expenditures	(12,425,893)	(10,004,391)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	\$3,900,000	\$3,550,000
Fund Balance	<u>8,525,893</u>	<u>6,454,391</u>
Total Other Financing Sources (Uses)	\$12,425,893	\$10,004,391
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-

Employee Pension Plan

Employees of Columbus are covered by a self-funded major disability income plan and a death benefit plan, which are paid for by Columbus. In addition, employees are covered by a qualified retirement and survivor plan. Columbus currently provides certain post-retirement health care benefits to employees and other post employment benefits (“**OPEB**”) pursuant to an OPEB plan. Columbus currently participates in a fully insured Medicare Advantage plan. Under this Medicare Advantage plan, employees who retired prior to July 1, 2003, who did not defer their retirement pay 75% of the cost of the plan and Columbus pays 25% of the cost of the plan. Employees who started after July 1, 2003, have access to the plan upon retirement but at the entire expense of the retiree. As of June 30, 2011, Columbus’s OPEB unfunded liability was estimated at \$77,711,305.

Columbus maintains two qualified, defined benefit pension plans; one plan covering sworn law enforcement officers serving in various capacities in the Columbus government (“**PERS A**”) and one multi-employer plan covering substantially all other full time employees of Columbus, Columbus Water Works, the Airport Commission, the Hospital Authority, the Columbus Trade and Convention Center, and the Bull Creek Golf Course Authority (“**PERS B**”). Both plans are administered by the same independent Board of Trustees. The Board of Trustees consists of eleven members: three are designated by title (i.e. the Mayor, City Manager, and the City Treasurer), six members are designated by name, and two trustees

are employee plan members designated by a process of election and appointment. Full-time employees are eligible to participate as of their employment date.

Columbus (and participating authorities of Columbus) made contributions sufficient to fund the normal cost of the plans and to amortize the unfunded past service liability of the plans through June 30, 2012. Commencing July 1, 1986, through June 30, 2012, both plans were non-contributory by employees and were fully payable by Columbus (and the participating authorities), and employer contributions were based on annual recommendations made by the plans' actuarial consultants. Effective July 1, 2012, both plans again became contributory and the vesting period for post July 1, 2012, employees was increased from five years to ten years. Both plans are "defined benefit" plans. The rate of Columbus's contribution may vary with the accuracy of the actuarial assumptions and the amount of contributions paid by member employees. According to the actuarial consultants, the current rate of contribution by Columbus, together with the existing fund assets, and future employee contributions will be sufficient to pay for all the benefits as currently defined under the plan as these benefits fall due. Actuarial valuations of the pension plans have been prepared by Southern Actuarial Services, actuarial consultants, for the plan year ending June 30, 2012. These valuations identify Columbus's contributions to be made in the current fiscal year to end June 30, 2013.

For fiscal year ending June 30, 2012, the required contribution for PERS A was \$12,941,840 and the actual contribution was \$13,267,399. The required contribution was determined as a part of the July 1, 2010, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions used in the valuation include (a) a 7.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year and (c) an inflation rate of 2.5% per year. The unfunded accrued liability of the Plan is being amortized as a level percentage of project payroll on a closed basis. As of July 1, 2011, 1,285 active employees, 451 retirees and beneficiaries receiving benefits, and 299 vested terminated Plan members entitled to but not receiving benefits, were covered under the Plan. For fiscal year ending June 30, 2013, the required contribution for PERS A was budgeted at \$13,591,294, and this required contribution was determined as a part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method.

For fiscal year ending June 30, 2012, the required and actual contribution for PERS B was \$7,854,784. The required contribution was determined as a part of the July 1, 2010, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions used in the valuation include (a) a 7.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year and (c) an inflation rate of 2.5% per year. The remaining amortization period at June 30, 2010 was 8 years. The unfunded accrued liability of the Plan is being amortized as a level percentage of project payroll on a closed basis. As of July 1, 2011, 1,737 active employees, 666 retirees and beneficiaries receiving benefits, and 600 vested terminated Plan members entitled to but not receiving benefits, were covered under the Plan. For fiscal year ending June 30, 2013, the required contribution for PERS B was budgeted at \$8,357,967, and this required contribution was determined as a part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method.

Other Employee Benefits

A Columbus employee's vacation days are transferred to a vacation reserve at the end of each year. Sick pay accrues up to a maximum amount of 90 days. Columbus does not pay accrued sick leave upon retirement or termination of employment, but it does pay for all days accumulated in an employee's vacation reserve. In addition, Columbus provides health insurance, life insurance, personal days off for holidays and educational opportunities. Columbus does not provide life or short-term disability insurance for employees. Employees are also covered under statutory plans for social security and workers' compensation.

Governmental Immunity and Insurance Coverage

Governmental Immunity. Under Georgia law, the defense of sovereign immunity is available to Columbus, except for actions for the breach of written contracts and actions for the recovery of damages for any claim for which liability insurance protection has been provided, but only to the extent of the liability insurance provided. Columbus, however, may be unable to rely upon the defense of sovereign immunity and may be subject to liability in the event of suits alleging causes of action founded upon various federal laws, such as suits filed pursuant to 42 U.S.C. § 1983, alleging the deprivation of federal constitutional or statutory rights of an individual and suits alleging anti-competitive practices and violations of the federal antitrust laws by Columbus in the exercise of its delegated powers. In addition, the Georgia Whistleblower Act (O.C.G.A. § 45-1-4) (the "Whistleblower Act"), protects public employees who disclose, or who refuse to participate in, an alleged violation of or non-compliance with

any federal, state, or local law, rule or regulation pertaining to the possible existence of any activity constituting fraud, waste, and abuse in or relating to any state programs or operations. Any public employee who reports a potential violation shall be free from discipline or reprisal from his employer, unless such disclosure was made with false and reckless disregard. A public employee who has been the object of retaliation in violation of the Whistleblower Act may institute a civil action for relief against the employer. Columbus is a public employer subject to the Whistleblower Act.

Chapter 92 of Title 36 of the Official Code of Georgia Annotated rescinded sovereign immunity for cities and counties for damage arising out of the negligent use of motor vehicles, up to certain prescribed limits, effective for occurrences after January 1, 2005. The bill requires governments to have liability insurance coverage with limits set up to \$700,000. The Charter of Columbus provides that all claims against Columbus must be presented within 12 months after they accrue or become payable or the same are claimed, unless held by minors or other persons laboring under disabilities, who are allowed 12 months after the removal of such disability.

Insurance Coverage. Columbus is self-insured for liability and maintains a funded reserve for potential liability. Its ability to levy and collect taxes provides the basis for funding contingent liabilities arising from litigation. Columbus's Risk Management Division processes, investigates, adjusts, and settles claims and implements loss control measures through safety and training. Columbus carries property and casualty damage insurance on buildings and other physical assets. Present insurance coverage is summarized below:

<u>Type</u>	<u>Amount in Force</u>
Commercial Property	\$200,000,000
Boiler & Machinery	100,000,000
Business Interruption	varies
Crime:	
Blanket Bond	5,000,000
Theft, Disappearance, & Destruction	5,000,000
Computer Theft/Fraud	7,000,000
Credit Card Forgery	5,000,000
Money Order and Counterfeit Currency	5,000,000

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COLUMBUS AD VALOREM TAXATION

Introduction

Ad valorem property taxes accounted for an annual average of approximately 28.90% of the General Fund revenues of Columbus for the years ended June 30, 2008 to June 30, 2012 and are budgeted to account for 28.48% of General Fund revenues for the year ending June 30, 2013. *Ad valorem* property taxes are levied annually in mills (one tenth of one percent) upon each dollar of assessed property value.

Property Subject to Taxation

Ad valorem property taxes are levied, based upon value, against real and personal property within Columbus. There are, however, certain classes of property which are exempt from taxation, including public property, religious property, charitable property, property of nonprofit hospitals, nonprofit homes for the aged and nonprofit homes for the mentally handicapped, college and certain educational property, public library property, certain farm property, certain air and water pollution control property, and personal effects.

A local constitutional amendment, Ga. L. 1981, p. 1926 fixed homestead values in Muscogee County at January 1, 1983 levels or the value applicable on January 1 of a subsequent transfer year as long as homestead is claimed and allowed for the subject property.

In addition, Columbus allows exemptions from *ad valorem* taxation for (1) homesteads, or owner-occupied residences, of disabled veterans, up to \$67,200 of assessed value, (2) homesteads, or owner-occupied residences, of persons 65 years of age or older with income from all sources, including the income of any spouse living in the residence, not exceeding \$10,000 per annum, up to \$21,500 of assessed value, (3) homesteads, or owner-occupied residences, of all persons, up to \$13,500 of assessed value (this exemption, however, is inapplicable to taxes levied to pay bonded indebtedness), and (4) the inventory of companies that manufacture, process, or warehouse goods in Columbus, known as the “freeport” exemption.

Tax Relief Initiatives

The State Property Taxpayer’s Bill of Rights, which took effect on January 1, 2000, calls for a mandatory rollback in the millage rate whenever the tax digest increases. The stated aim is to prevent creeping tax bills. If elected officials propose to increase the millage rate, they must hold three public meetings, at times when the most constituents can attend, to explain why the tax hike is necessary and vote publicly for or against it. The law also shifts the burden of proof from the homeowner to the local government in the appeals process; requires the assessor’s office to provide a written explanation to homeowners as to why their taxes went up; and allows taxpayers going through appeal to name the time of their hearing before the Board of Equalization. The law also calls on taxing bodies to cover the legal fees of any homeowner who receives a 15% reduction or greater in their assessment and allows taxpayers going through appeals process the right to record the hearing.

Homestead Tax Relief Grant Credits (HTRG). On February 17, 2009, the Governor of Georgia signed into law Act 1 (House Bill 143, passed by the General Assembly on February 17, 2009) requiring the State to appropriate funds necessary to reimburse local governments for the HTRG credits applied to 2008 property tax bills. For most homeowners, the HTRG is a credit of \$200-\$300 on property used as a primary residence. The credit is applied to a homeowner’s property tax bill by local tax officials and local governments are reimbursed for the credit by the State. In future years, HTRG will be funded in the State’s supplemental budget only if estimated revenues for the current fiscal year exceed the revenues of the last year in which HTRG funds were appropriated by 3% plus the percent change in the rate of inflation determined by the Consumer Price Index for all urban consumers (CPI). The State did not meet this threshold in 2011; therefore, the HTRG credit was not applied to 2011 property tax bills.

Impact of Foreclosures on Assessment Procedures. In 2009, the Georgia legislature enacted Senate Bill 55, codified as Official Code of Georgia Annotated, Section 48-5-2, which requires county tax assessors to consider foreclosure sales, bank sales, sales by other financial institutions, distressed sales and the decreased value of property subject to conservation easements in determining the fair market value of real property. In addition, Senate Bill 55 modifies the time that applications for conservation use assessments may be filed. There is pending litigation in the Georgia Supreme Court challenging the application of O.C.G.A. §48-5-2 to property in Muscogee on the theory that the statute is in conflict with the local constitutional amendment cited above.

Property Tax Reform Bill. On June 4, 2010, the Governor of Georgia signed into law Senate Bill 346, in order to minimize undue hardship and confusion to property owners without having to implement the use of caps on assessments. This comprehensive tax reform bill contains numerous changes to the assessment and appeals process, several of which are as follows: (a) requires that all property owners receive an annual assessment notice that contains an estimate of their tax liability, regardless of whether the property value has changed; (b) requires the sales price of the most recent arm's length bona fide sale in any year to be the maximum allowable fair market value for the next taxable year; (c) grants appeal rights to a new property owner who makes a purchase before assessment notices are sent; (d) grants all property owners 45 days, instead of 30, to file an appeal of the assessed value after receipt of their annual assessment notice; (e) ensures the determination of fair market value of real property shall not include the value of intangible assets; (f) authorizes non-residential properties exceeding \$1 million in value to have their appeal heard by a hearing officer who must be either a state certified general real property appraiser or a state certified residential real property appraiser and be approved by the Georgia Real Estate Commission and the Georgia Real Estate Appraisers Board; (g) authorizes installment billing and allows cities and counties, by resolution or ordinance, to elect to receive payment for *ad valorem* taxes in any form of payment; (h) authorizes two or more counties to establish a regional board of equalization if they enter into an intergovernmental agreement to do so; and (i) requires the Department of Revenue to create a uniform appeal form and to update their training for tax officials.

Tax Reform Act of 2012 (Georgia). On April 19, 2012, the Governor of Georgia signed into law House Bill 386, an omnibus tax reform bill. It is uncertain at this time what the fiscal impact will be to local governments as the Act is implemented. The new law provides several changes to existing tax laws that will affect local governments including:

- *Title Fee* - replaces sales tax and local *ad valorem* (birthday) tax on vehicles with a new 7% title fee that is paid on the value of the vehicle whenever the vehicle is initially purchased or changes ownership;
- *Energy Exemption in Manufacturing* - removes the state and local sales tax on energy used in manufacturing by phasing in an exemption over a four year period (25% per year until fully implemented in 2016); however, the legislation allows for local governments to pass a local ordinance to collect an excise tax on the energy used in manufacturing to make up for the sales tax revenues lost through the exemption;
- *E-Fairness* - expands the number of out-of-state companies required to collect local and state sales tax on internet transactions that have previously been exempt from taxation because the business did not have a physical presence in the State;
- *Conservation Property Exemption* - includes comprehensive revision of the income tax credit for the qualified donation of conservation real property and prohibits counties, cities and consolidated governments from holding a conservation easement unless the encumbered property is located at least partly within the boundary of the local government; and
- *Changes to Existing Exemptions* – revises the existing sales and use tax exemption for film and equipment production and restores the back-to-school sales tax holiday and the energy-efficient appliances sales tax holiday.

Assessed Value

Assessed valuation, which represents the value upon which *ad valorem* property taxes are levied, is calculated as a percentage of fair market value. The Charter of Columbus requires the assessment of real and personal property for *ad valorem* tax purposes to be on a uniform basis throughout the entire area of Columbus, except as provided for homestead properties which are assessed in accordance with the local constitutional amendment described above.

Georgia law requires taxable tangible property to be assessed, with certain exceptions, at 40% of its fair market value and to be taxed on a levy made by each tax jurisdiction according to 40% of the property's fair market value. Georgia law requires certain agricultural real property to be assessed for *ad valorem* property tax purposes at 75% of the value of which other real property is assessed and requires certain historical property to be valued at a lower fair market value for *ad valorem* property tax purposes.

The chief appraiser is required to submit a certified list of assessments for all taxable property, except motor vehicles and property owned by public utilities, within Columbus to the Board of Tax Assessors. The Tax Commissioner of Columbus is required to present the tax returns to the Board of Tax Assessors by April 11 of each year. The Board of Tax Assessors is required to complete its revision and assessment of returns by June 1 of each year and to forward a copy of the completed digest to the Georgia

Revenue Commissioner for examination and approval. The Georgia Revenue Commissioner has the authority and the duty to examine the digest for the purpose of determining if the valuations of property are reasonably uniform and equalized between and within counties. Assessments may also be subject to review at various stages by the Board of Equalization of Columbus and by state courts.

The State of Georgia Motor Vehicle Tax Unit assesses the value of motor vehicles by make, model, and year by county and provides this information to each county tax office. The State of Georgia Property Tax Unit assesses the value of the property of public utilities and divides the assessment into two parts, assessed value of property and assessed value of franchise, and provides these amounts to Columbus which bills these taxes to the utilities.

Annual Tax Levy and Limitation on Annual Tax Levy

Columbus is divided into a General Services District and two Urban Services Districts, in which taxes are assessed, levied, and collected in accordance with the kind, character, type, degree, and level of services provided by Columbus in each taxing district. The Charter of Columbus allows the rate and manner of taxation to vary in any one taxing district from that in other taxing districts, in such a way as to reasonably reflect the level of services provided in such taxing district.

The Charter of Columbus requires the Council to levy by ordinance a General Services District tax on all real and personal property within the General Services District, at a rate of levy that will produce a reasonable amount of cash revenues, after deducting an amount not less than the previous year's delinquent taxes and other uncollectibles, that will be sufficient, together with other anticipated revenues, fund balances, and reserves, to pay the expenses of the services to be rendered in the General Services District set forth in the annual operating budget and to pay other expenses allowed by Georgia law. The Charter requires the Council to levy by ordinance a separate Urban Services District tax on all real and personal property within each Urban Services District, at rates of levy that will produce reasonable amounts of base revenues, after deducting amounts not less than the previous year's delinquent taxes and other uncollectibles, that will be sufficient, together with other anticipated revenues, fund balances, and reserves, to pay the expenses of the higher levels of services to be rendered in each Urban Services District set forth in the annual operating budget.

Property Tax Collections

Columbus bills and collects its own property taxes. Real and personal property taxes are levied in July of each year on the assessed value listed as of January 1. Payment of real and personal property taxes is due in two installments: one on October 1 and one on December 1. Mobile home taxes are due on January 1 and are delinquent on April 1. Motor vehicle taxes are due on the birthday of the owner of record of each vehicle. This will be replaced by the one time title fee for vehicles purchased after July 1, 2012. Public utility taxes are due on October 1 and are delinquent on December 20. A penalty of ten percent (10%) plus interest of 12% per annum applies to taxes paid after the delinquent date.

All taxes levied on real and personal property, together with interest thereon and penalties for late payment, constitute a perpetual lien on and against the property taxed arising after January 1 in the year in which taxed. The lien becomes enforceable on December 20 of each year. Georgia law provides that taxes must be paid before any other debt, lien, or claim of any kind, except for certain claims against the estate of a decedent and except that the title and operation of a security deed is superior to the taxes assessed against the owner of property when the tax represents an assessment upon property of the owner other than the property specifically subject to the title and operation of the security deed.

Collection of delinquent real property taxes is enforceable by tax sale of such realty. Delinquent personal property taxes are similarly enforceable by seizure and sale of the taxpayer's personal property. There can be no assurance, however, that the value of the property sold, in the event of a tax sale, will be sufficient to produce the amount required to pay in full the delinquent taxes, including any interest or penalties thereon.

When the last day for the payment of taxes has arrived, the Tax Commissioner notifies the taxpayer in writing of the fact that the taxes have not been paid and that, unless paid, an execution will be issued. At any time after 30 days from giving the notice described in the preceding sentence, the Tax Commissioner issues an execution for nonpayment of taxes to the Sheriff. The Sheriff then publishes a notice of sale in a local newspaper weekly for four weeks and gives the taxpayer ten days' written notice by registered or certified mail. A public sale of the property is then made by the Sheriff on the first Tuesday of the month after the required notices are given.

Tax Digest

Set forth below is information concerning the assessed and estimated actual value of taxable property in Columbus for the past five calendar years.

	As of January 1				
	2008	2009	2010	2011	2012
ASSESSED VALUES:					
Real and Personal Property ¹	\$4,294,732,234	\$4,414,131,353	\$4,386,726,339	\$4,503,630,013	\$4,617,057,537
Public Utilities ²	111,068,991	113,966,450	115,379,252	116,086,237	111,893,116
Motor Vehicles ³	372,339,998	388,002,469	351,689,884	347,332,454	378,632,953
Mobile Homes ⁴	9,463,214	8,818,789	8,627,335	6,911,527	7,951,541
Timber 100%	126,240	31,501	34,299	142,399	47,284
Heavy Equipment	<u>729,691</u>	<u>279,458</u>	<u>56,837</u>	<u>93,148</u>	<u>220,734</u>
Gross Tax Digest	\$4,788,460,368	\$4,925,230,021	\$4,862,513,946	\$4,974,195,778	\$5,115,803,165
Less Bond Exemptions ⁵	(218,621,809)	(262,066,850)	(226,325,625)	(254,182,114)	(259,606,028)
Net Bond Digest	<u>\$4,569,838,559</u>	<u>\$4,663,163,171</u>	<u>\$4,636,188,321</u>	<u>\$4,720,013,664</u>	<u>\$4,856,197,137</u>
Gross Tax Digest	\$4,788,460,368	\$4,925,230,021	\$4,862,513,946	\$4,974,195,778	\$5,115,803,165
Less Maintenance & Operations ("M&O") Exemptions ⁶	(683,733,083)	(723,144,431)	(682,969,012)	(706,301,751)	(690,743,497)
Net M&O Tax Digest	<u>\$4,104,727,285</u>	<u>\$4,202,085,590</u>	<u>\$4,179,544,934</u>	<u>\$4,267,894,027</u>	<u>\$4,425,059,668</u>
ESTIMATED ACTUAL VALUE:	\$11,970,961,560	\$12,313,027,801	\$12,156,233,417	\$12,435,275,847	\$12,789,436,987

¹ The State of Georgia requires all counties to assess real estate and personal property at the rate of at least 40% of estimated actual value, with the exception of timber, which is assessed at 100%.

² The State of Georgia Property Tax Unit assesses the value of the property of public utilities at the percentage of fair market value used by the County. The Property Tax Unit then divides the assessment into two parts, assessed value of property and assessed value of franchise, and provides these figures to the County which bills these taxes to the utilities with the amount of tax for each.

³ The State of Georgia Motor Vehicle Tax Unit assesses the value of motor vehicles by make, model, and year by county and provides this information to each county tax office. The State of Georgia assesses the value of motor vehicles at the percentage of fair market value used by the County.

⁴ The State of Georgia assesses the value of mobile homes at the percentage of fair market value used by the County.

⁵ Total assessed value, after deducting exemptions, for purposes of levying tax for the County's general obligation bonds.

⁶ Total assessed value, after deducting exemptions, for purposes of levying tax for the M&O of the County.

Source: Columbus Tax Commissioner's Office.

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Ten Largest Taxpayers

Set forth below is information concerning the ten largest taxpayers in Columbus in calendar year 2011.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011 Assessed Value for County</u>	<u>2011 Taxes Levied for Columbus¹</u>	<u>Taxes Levied for Columbus As a Percent of Total Taxes Levied²</u>
Georgia Power	Utility	\$57,906,986	\$2,376,709	5.99%
AFLAC	Insurance	40,793,501	1,692,930	4.27
TSYS	Credit Card Processing	30,064,375	1,298,535	3.27
Peachtree Mall LLC	Retail complex	31,011,660	1,286,984	3.24
Bellsouth Telecommunications	Utility	25,324,574	1,021,837	2.57
W.C. Bradley Company	Manufacturing	21,351,510	957,695	2.41
Spring Harbor at Green Island	Retirement Community	21,379,812	887,262	2.24
ATMOS Energy Co-op	Utility	20,150,086	833,633	2.10
Mid-America Apartment	Apartment Leasing	19,791,521	821,348	2.07
Columbus Bank & Trust	Banking	<u>13,219,037</u>	<u>590,909</u>	<u>1.49</u>
Totals:		\$280,993,062	\$11,767,842	29.65%

¹ Information relates to Columbus tax levies and does not include those it collects on behalf of other governmental units.

¹ Based on total taxes levied for Columbus in calendar year 2011 of \$39,684,844.

Source: Tax Commissioner's Office

Property Tax Levies and Collections

Set forth below is information concerning total tax collections of Columbus reported as of the end of Columbus' past five fiscal years (FY) for the current calendar year's tax levy.

<u>Fiscal Year</u>	<u>Levy¹</u>	<u>Collected in the FY of Levy</u>	<u>Collection in Subsequent Years'</u>	<u>Total Collections at Year End</u>	<u>Percent of Levy Collected at Year End</u>
2012	\$68,098,479	\$66,036,757	--	\$66,036,757	96.97%
2011	40,243,649	38,374,621	\$891,729	39,266,350	97.57
2010	67,532,821	63,879,484	2,385,163	66,264,647	98.12
2009	66,353,472	63,063,545	2,271,933	65,335,478	98.47
2008	62,562,504	59,374,210	2,505,962	61,880,172	98.91
2007	58,810,985	55,824,829	2,414,832	58,239,661	99.03

¹ In 2011, tax revenues were significantly reduced due to the sales tax rollback requirement of the 1% Other Local Option Sales Tax approved by the voters on July 15, 2008.

Source: Tax Commissioner's Office.

Millage Rates

Set forth below is information concerning the rate of levy of property taxes per \$1,000 of assessed value, or millage rates, of the urban service districts and the business improvement districts of Columbus and the overlapping governments for calendar years 2008 through 2012.

<u>District</u>	<u>2008</u> <u>M&O¹</u> <u>Bonds</u>	<u>2009</u> <u>M&O¹</u> <u>Bonds</u>	<u>2010</u> <u>M&O¹</u> <u>Bonds</u>	<u>2011</u> <u>M&O¹</u> <u>Bonds</u>	<u>2012</u> <u>M&O¹</u> <u>Bonds</u>					
Urban Service District 1,5,6,7	16.68	1.23	16.83	1.08	9.54	1.08	16.93	0.95	16.93	0.95
Urban Service District 2	11.82	1.23	11.91	1.08	5.98	1.08	10.95	0.95	10.95	0.95
Urban Service District 4	10.62	1.23	10.62	1.08	4.74	1.08	10.05	0.95	10.05	0.95
Business Improvement District 5	6.99	0.00	6.99	0.00	6.99	0.00	6.99	0.00	6.99	0.00
Business Improvement District 6	5.76	0.00	5.76	0.00	5.76	0.00	5.76	0.00	5.76	0.00
Business Improvement District 7	4.47	0.00	4.47	0.00	4.47	0.00	4.47	0.00	4.47	0.00
State of Georgia	0.25	0.00	0.25	0.00	0.25	0.00	0.25	0.00	0.25	0.00
School	23.37	0.00	23.37	0.00	23.37	0.00	23.37	0.00	23.37	0.00

¹ The M&O millage rates above include the rate of levy for the General Fund, METRA (public transit), Stormwater, Paving, Economic Development, and the Medical Center Hospital Authority (indigent care). The only components of the M&O millage subject to the nine (9) mill limitation described in detail in "THE SERIES 2013 CERTIFICATES – Ad Valorem Tax Limitation" are the General Fund and METRA.

Source: State of Georgia Department of Revenue, Property Tax Division.

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INVESTMENT AND RISK CONSIDERATIONS

The Series 2013 Certificates will be limited obligations of the Authority payable solely from and secured by a pledge of the Gross Revenues of the Health Care System and certain funds held under the Resolution. In addition, the Series 2013 Certificates are secured by payments to be paid by Columbus to the Authority pursuant to the Contract, wherein Columbus is obligated to make payments to the Authority sufficient to pay the principal of and interest on the Series 2013 Certificates as the same become due and payable, to the extent funds of the Health Care System pledged to such payment are insufficient for such purposes. Pursuant to the terms of the Contract, Columbus has agreed to levy an annual ad valorem tax on all taxable property located within the territorial limits of Columbus, at a rate not to exceed four (4) mills of the seven (7) mills limit authorized under the Hospital Authorities Law of Georgia, as may be necessary to produce in each year revenues which are sufficient to fulfill Columbus's obligations under the Contract.

Future economic conditions and other conditions, including demand for health care services, the ability of the Authority to provide the services required by residents, physicians' confidence in the Health Care System, economic developments in Columbus, together with changes in rates, costs, third party reimbursement, and governmental regulation, may adversely affect revenues and expenses and, consequently, the Authority's ability to make debt service payments. Enforcement of remedies under the Resolution may be limited or restricted by laws relating to bankruptcy and rights of creditors and by application of general principles of equity.

The Authority receives a significant proportion of its revenues from government programs, and it is unlikely that the Authority could ever attract sufficient numbers of private-pay patients to become self-sufficient without reimbursement from government programs. For a breakdown of the sources of payment for services provided by the Authority, see "THE HEALTH CARE SYSTEM - Sources of Payment."

For a more detailed discussion of certain risks that could affect payments to be made by the Authority with respect to the Series 2013 Certificates see "Appendix F: INVESTMENT AND RISK CONSIDERATIONS" herein. No representation is made or assurance given that revenues, as presently estimated or otherwise, will be realized by the Authority in the amounts necessary to make the required payments of principal of, premium, if any, and interest on the Series 2013 Certificates. The estimates of future revenues and expenses, and the realization of such estimates, are subject to, among other things, the capabilities of the management of the Authority, the return on investments, and governmental policies and controls affecting the health care industry, including decreases in federal and state payment programs, imposition of government wage and price controls, and future economic conditions and other conditions which are unpredictable and which may affect revenues and payment of principal of, and premium, if any, and interest on the Series 2013 Certificates. In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review the entire Official Statement and the appendices hereto, specifically "Appendix F: INVESTMENT AND RISK CONSIDERATIONS" herein.

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LEGAL MATTERS

Litigation

The Authority, like other similar entities, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Authority, after reviewing the current status of all pending and threatened litigation with its counsel, Hatcher, Stubbs, Land, Hollis & Rothschild, LLP, Columbus, Georgia, believes that while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the Authority are adequately covered by insurance or will not have a material adverse effect upon the financial position or results of operations of the Authority.

Columbus, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. Columbus, after reviewing the current status of all pending and threatened litigation with its counsel, City Attorney Clifton Fay, Esq., believes that while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against Columbus or its officials in such capacity will not have a material adverse effect upon the financial position or results of operations of Columbus.

There is no litigation now pending or, to the knowledge of the Authority or Columbus, threatened against either of these entities which seeks to restrain or enjoin the issuance or delivery of the Series 2013 Certificates, the provisions of the security therefor, or the use of the proceeds of the Series 2013 Certificates, or which questions or contests the validity of the Series 2013 Certificates or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the Authority or Columbus, nor the title to the present members or other officials of the Authority or Columbus to their respective offices, is being contested or questioned. There is no litigation pending or, to the knowledge of the Authority or Columbus, threatened which in any manner questions the right of the Authority to adopt its Resolution, to enter into the Contract, or to secure the Series 2013 Certificates in the manner provided in the Resolution. No litigation and no proceedings are pending against Columbus or its officials, or to its knowledge are threatened against them, which would affect the sale of the Series 2013 Certificates, the security therefor, or the ability of Columbus to enter into and perform its obligations under the Contract.

Legal Proceedings

The issuance and delivery of the Series 2013 Certificates are subject to validation by the Superior Court of Muscogee County and subject to the approving legal opinion of Gray Pannell & Woodward LLP, Savannah, Georgia, as Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Hatcher, Stubbs, Land, Hollis & Rothschild, LLP, Columbus, Georgia, and for Columbus by its counsel, Clifton Fay, Esq., Columbus, Georgia. Gray Pannell & Woodward LLP, Savannah, Georgia is acting as Disclosure Counsel to the Authority. A copy of the proposed text of bond counsel's opinion is set forth in Appendix E hereto.

The various legal opinions to be delivered concurrently with the delivery of the Series 2013 Certificates express the professional judgment of the attorneys or law firms rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion the attorney or law firm does not become an insurer or guarantor of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2013 Certificates for interest thereon to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Series 2013 Certificates to be included in gross income for federal income tax purposes retroactively to the date of issue of the Series 2013 Certificates. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2013 Certificates are to be invested and require that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States. The Authority has covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the Series 2013 Certificates from gross income for federal income tax purposes.

In the opinion of Gray Pannell & Woodward LLP, Savannah, Georgia, Bond Counsel, under existing law, and assuming compliance with the aforementioned covenants, interest on the Series 2013 Certificates (a) is excluded from gross income for purposes of federal income taxation and (b) will not be included as an item of tax preference in computing the alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Although Bond Counsel has rendered an opinion that interest on the Series 2013 Certificates is excluded from gross income for federal income tax purposes, ownership of the Series 2013 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial systems, foreign corporations which conduct a trade or business in the United States, Subchapter S Corporations, certain recipients of social security or railroad retirement benefits, property and casualty insurance corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2013 Certificates. Bond Counsel has expressed no opinion regarding any such other tax consequences. Prospective purchasers of the Series 2013 Certificates should consult with their own tax advisors as to the consequences of acquiring, carrying or disposing of the Series 2013 Certificates.

Bond Counsel is further of the opinion that interest on the Series 2013 Certificates is exempt from taxation by the State of Georgia and any of its political subdivisions. Interest on the Series 2013 Certificates may or may not be subject to state or local income taxation in jurisdictions other than the State of Georgia. Each purchaser of the Series 2013 Certificates should consult his or her own tax advisor regarding the tax-exempt status of interest on the Series 2013 Certificates in a particular state or local jurisdiction other than the State of Georgia.

*Original Issue Discount**. With respect to the Series 2013 Certificates maturing 1, 20 (the “**Original Issue Discount Certificates**”), the difference between the initial public offering prices of such Original Issue Discount Certificates and their respective stated principal amounts constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes subject to the caveats and provisions described in the foregoing section.

In the case of an owner of an Original Issue Discount Certificate, the amount of original issue discount which is treated as having accrued with respect to such Original Issue Discount Certificate is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of an Original Issue Discount Certificate (including its sale, redemption or payment at maturity). Amounts received upon disposition of an Original Issue Discount Certificate which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at the yield to maturity of each individual Original Issue Discount Certificate, on days which are determined by reference to the maturity date of such Original Issue Discount Certificate. The amount treated as original issue discount on an Original Issue Discount Certificate for a particular semiannual accrual period is equal to (i) the product of (a) the yield to maturity for such Original Issue Discount Certificate (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis for such Original Issue Discount Certificate at the beginning of the particular accrual period if held by the original purchaser, (ii) less the amount of any interest payable for such Original Issue Discount Certificate during the accrual period. The tax basis is determined by adding to the initial public offering price on such Original Issue Discount Certificate the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If an Original Issue Discount Certificate is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

*Premium Certificates**. The difference between the principal amount of the Series 2013 Certificates maturing on 1, 20 through 1, 20 (collectively, the “**Premium Certificates**”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Certificates of the same maturity was sold constitutes to an initial purchaser amortizable certificate premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable certificate premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Certificate. For purposes of determining gain or loss on the sale or other disposition of a Premium Certificate, an initial purchaser who acquires such Premium Certificate in the initial offering to the public at the initial offering price is required to decrease

such purchaser's adjusted basis in such Premium Certificate annually by the amount of amortizable certificate premium for the taxable year. The amortization of certificate premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Certificates. Owners of the Premium Certificates are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Certificates.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds, such as the Series 2013 Certificates, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2013 Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2013 Certificates, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2010; and (ii) the rate of 31% for taxable years beginning after December 31, 2010, with respect to payments on the Series 2013 Certificates and proceeds from the sale of the Series 2013 Certificates. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Series 2013 Certificates. This withholding generally applies if the owner of the Series 2013 Certificates (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2013 Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

Bond Counsel expresses no opinion regarding any other tax consequences of owning or disposing of the Series 2013 Certificates.

Changes in Federal Tax Law

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2013 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to the Series 2013 Certificates issued prior to enactment. In addition, regulatory actions from time to time are announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2013 Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2013 Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2013 Certificates should consult their own tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing law, legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2013 Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

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MISCELLANEOUS

Rating

Moody's Investor Service has assigned the rating of "____" to the Series 2013 Certificates, and Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc., has assigned the rating of "____" to the Series 2013 Certificates. The rating reflects only the views of the rating agency furnishing such rating. There is no assurance that the rating will remain unchanged for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency furnishing the same, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the liquidity and market price of the Series 2013 Certificates.

The rating reflects only the views of the rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. An explanation of the significance of the rating may be obtained from the rating agency furnishing such rating. The rating agency may be contacted as follows: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10041, telephone (212) 553-1362.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Series 2013 Certificates, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Series 2013 Certificates.

Underwriting

The Series 2013 Certificates were purchased at a competitive sale on _____, 2013, by _____ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2013 Certificates at a price of \$_____, which represents the par amount of the Series 2013 Certificates, \$_____, less Underwriter's Discount of \$_____, plus [/less] Original Issue Premium [/discount] of \$_____. The initial public offering yields of the Series 2013 Certificates are shown on the inside cover page of this Official Statement and may be changed from time to time by the Underwriter. The Underwriter may also allow concessions from the public offering prices to certain dealers and others.

The Underwriter may offer and sell the Series 2013 Certificates to other dealers and other purchasers at prices lower than the public offering prices stated on the cover hereof. The initial public offering prices may be changed from time to time by the Underwriter.

Closing Certificates

At the time of payment for and delivery of the Series 2013 Certificates, the Authority and Columbus will each furnish to the Underwriter a certificate to the effect that (a) the descriptions and statements of or pertaining to it contained in this Official Statement and any addenda thereto, on the date of this Official Statement, on the date of the sale of the Series 2013 Certificates, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as its affairs, including the financial affairs, are concerned, this Official Statement did not and does not contain any untrue statements of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data of or pertaining to entities, other than the Authority or Columbus, and their activities contained in this Official Statement are concerned, such statements and data have been obtained from sources which it believes to be reliable and that it has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in its financial condition since the date of its last audited financial statements appearing in this Official Statement.

Continuing Disclosure

Securities and Exchange Authority Rule 15c2-12(b)(5) (the "Rule") under the Securities Exchange Act of 1934 imposes continuing disclosure obligations on the issuers and obligors of certain state and municipal securities to permit participating underwriters to offer and sell the issuer's securities.

The Authority and Columbus will both sign a Continuing Disclosure Certificate in connection with the issuance of the Series 2013 Certificates, under the provisions of which they will covenant for the benefit of the beneficial owners of the Series 2013 Certificates to provide (i) certain financial information and/or operating data relating to the Authority, the Health Care System and Columbus (the “**Annual Report**”) and (ii) notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed electronically with EMMA, an Internet-based electronic filing system operated by the Municipal Securities Rulemaking Board (“**MSRB**”). The specific nature of the information to be contained in the Annual Report or in the notices of material events is in “**Appendix D: FORM OF THE CONTINUING DISCLOSURE CERTIFICATE**.” These covenants will be made by the Authority and Columbus in order to assist the Underwriter in complying with the Rule.

The undertakings described above may be amended or modified from time to time in accordance with the terms of the Continuing Disclosure Certificate. The Authority and Columbus will reserve the right to terminate its obligation to provide annual financial information and notices of material events if and when the Authority and Columbus no longer remain obligated persons with respect to the Series 2013 Certificates within the meaning of the Rule.

The Authority and Columbus both agree that its undertaking pursuant to the Rule described in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Series 2013 Certificates and shall be enforceable by such holders and beneficial owners; provided that the right to enforce the provisions of this undertaking shall be limited to a right to seek mandamus or specific performance to cause the Authority or Columbus to comply with its obligations. Any failure by the Authority or Columbus to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2013 Certificates under the Resolution. With respect to the Series 2013 Certificates, no parties other than the Authority and Columbus are obligated to provide, nor is expected to provide, any continuing disclosure information. The Authority and Columbus fully anticipate satisfying all obligations in connection therewith.

The Series 2013 Certificates will be the Authority’s first obligation subject to continuing disclosure. The Authority represents that it will comply in all material respects with its undertaking with regard to Securities and Exchange Commission Rule 15c2-12(b)(5) to provide annual reports or to file notices of enumerated events. In order to ensure its future compliance, the Authority anticipates implementing internal written policies and procedures to make certain future filings are completed and filed with EMMA in a timely fashion.

To the best of its knowledge, Columbus has never failed to comply in all material respects with its previous undertakings on financings with regard to the Rule to provide annual reports or notices of material events. For fiscal years 2009 through 2011, Columbus filed its annual reports with respect to its previous undertakings with EMMA; however, for fiscal years 2007 and 2008, Columbus filed its annual reports with the Nationally Recognized Municipal Securities Information Repositories (“**NRMSIRs**”) but has no proof of receipt by the NRMSIRs of such filings. In an abundance of caution and to provide evidence of its filings, Columbus filed its fiscal year 2007 and fiscal year 2008 annual reports electronically with EMMA on October 1, 2012.

The only other previous undertakings on financings of which Columbus is aware are financings relating to the issuance of Water and Sewerage Revenue Bonds of Columbus. The operation and management of the Water and Sewerage System of Columbus (the “**System**”) is under the jurisdiction of the Board of Water Commissioners which is responsible for the supervision and control of building, construction, operation and management of the System. The Board of Water Commissioners prepares financial statements and employs the auditors for the System. The Executive Vice President of the Columbus Water Works signed a Notice of failure to File Annual Report on March 30, 2012, and the Water Works filed annual report(s) for five years on or about March 30, 2012.

Columbus has implemented internal written policies and procedures to ensure future filings are completed and filed with EMMA in a timely manner.

Independent Auditors; Financial Statements

Mauldin & Jenkins, LLC, Certified Public Accountants, Macon, Georgia, have been employed by the Authority as its independent Auditor. The financial statements of the Authority as of June 30, 2012, and for the year then ended, attached hereto as Appendix A, have been audited by Mauldin & Jenkins, LLC, Certified Public Accountants, Macon, Georgia, to the extent and for the period indicated in their report thereon which appears in Appendix A herein. Such financial statements have been included herein in reliance upon the report of Mauldin & Jenkins, LLC, given upon the authority of such firm as experts

in accounting and auditing. Mauldin & Jenkins, LLC, was not engaged to perform and did not perform, since the date of its report included herein as Appendix A, any procedures on the financial statements addressed in Appendix A. Mauldin & Jenkins, LLC, did not perform any procedures relating to this Preliminary Official Statement.

Albright Fortenberry & Ninas, LLP, Certified Public Accountants, Columbus, Georgia, have been employed by Columbus as its independent auditor. The financial statements of Columbus as of June 30, 2012, and for the year then ended, attached hereto as Appendix B, have been audited by Albright Fortenberry & Ninas, LLP, Certified Public Accountants, Columbus, Georgia, to the extent and for the period indicated in their report thereon which appears in such appendix. Such financial statements have been included herein in reliance upon the report of Albright Fortenberry & Ninas, LLP.

Financial Advisor

Davenport & Company LLC, Woodstock, Georgia, has been employed by Columbus and the Authority as their financial advisor for the offering. The financial advisor has not conducted a detailed investigation of the affairs of the Authority or Columbus to determine the completeness or accuracy of this Official Statement. Because of its limited participation, the financial advisor has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

Additional Information

Insofar as any statement in this Official Statement involves matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Series 2013 Certificates.

Certification

The execution and delivery of this Official Statement, and its distribution and use by the Underwriter, have been duly authorized and approved by the Authority.

HOSPITAL AUTHORITY OF COLUMBUS

By: _____
Chairman

CONSOLIDATED GOVERNMENT OF
COLUMBUS

By: _____
Mayor

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APPENDIX A
FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The financial statements of the Authority as of June 30, 2012, and for the year then ended, included as Appendix A, have been audited by Mauldin & Jenkins, LLC, Macon, Georgia, independent Certified Public Accountants, to the extent and for the period indicated in their report thereon which appears in this Appendix A. Such financial statements have been included herein in reliance upon the report of Mauldin & Jenkins, LLC. Mauldin & Jenkins, LLC, was not engaged to perform and did not perform, since the date of its report included herein as Appendix A, any procedures on the financial statements addressed in Appendix A. Mauldin & Jenkins, LLC, did not perform any procedures relating to this Preliminary Official Statement.

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**HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)**

FINANCIAL REPORT

JUNE 30, 2012

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

FINANCIAL REPORT
JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Hospital Authority of Columbus
Columbus, Georgia**

We have audited the accompanying financial statements of the **Hospital Authority of Columbus**, a component unit of the Consolidated Government of Columbus, Georgia, as of and for the year ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Hospital Authority of Columbus' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Authority of Columbus, a component unit of the Consolidated Government of Columbus, Georgia, as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 3 through 8) 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 sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of net assets and combining statements of revenue, expenses and changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
November 8, 2012

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hospital Authority of Columbus (the “Authority”), we offer readers of the Authority’s basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and footnotes.

Financial Highlights

- Total current assets of the Authority exceeded its current liabilities at the close of its most recent fiscal year by \$7,055,542. This resulted in a current ratio of approximately 5.5:1.
- The Authority’s total net assets increased by \$3,189,236 during the fiscal year ended June 30, 2012. This net change is further reflected in the Authority’s Statement of Revenues, Expenses and Changes in net assets.
- The Authority’s net assets (amount assets exceeded liabilities) at the close of the fiscal year amounted to \$20,183,807. All net assets were unrestricted at June 30, 2012.
- Net patient service revenue by agency was as follows for the year ended June 30, 2012: Muscogee Manor and Rehabilitation Center \$16,325,014 (78.94% of total patient service revenue); Azalea Trace \$2,876,564 (13.91% of total patient service revenue); Cobis \$639,294 (3.09% of total); and Muscogee Home Health \$839,369 (4.06% of total).
- Cash flows provided by operating activities totaled \$1,570,219. This is a key measure of the Authority’s ability to service debt and internally fund expansion.

Overview of the Financial Statements

The Authority is a component unit of the Consolidated Government of Columbus, Georgia for financial reporting purposes and the accounts of the Authority are included in the Comprehensive Annual Financial Report (CAFR) of the Consolidated Government. The Authority owns and operates Muscogee Manor and Rehabilitation Center, a 242-bed nursing facility, Cobis, a 100-bed personal care facility, and Muscogee Home Health and Muscogee Home Care, a separately licensed private duty company that operates as a component of Muscogee Home Health. Effective March 1, 2012, the Authority purchased Azalea Trace Nursing Home, a 110-bed nursing facility, from Columbus Regional Hospital System. The Authority is a proprietary operation, which means it is engaged only in business-type activities. As a result, there are no governmental funds to consider when reviewing the financial statements of the Authority.

The Authority has no outstanding long-term debt at June 30, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

This annual report consists of the basic financial statements required to be prepared for a proprietary operation such as the Authority, along with supplemental information that is not a required part of the basic financial statements. The basic financial statements provide information regarding the composition of the net assets of the Authority, the revenues and expenses which resulted in the change in net assets, the cash flows of the Authority; and, the notes to the financial statements.

The “*Statements of Net Assets*” reflect our overall financial position. These statements disclose the Authority’s assets, liabilities and the resulting net assets at June 30, 2012 and 2011, respectively.

The “*Statements of Revenues, Expenses and Changes in Net Assets*” present information showing how the Authority’s net assets changed for each of the (2) two years ended June 30, 2012 and 2011, respectively. All changes in net assets are reported on an accrual basis.

The “*Statements of Cash Flows*” disclose how much cash and “cash equivalents” (generally defined as investments that can readily be converted to cash) the Authority had on hand at the end of each fiscal year, along with a reconciliation of cash provided by the Authority’s operating, financing and investing activities. The Authority believes in a strong cash position because it gives the Authority the ability to respond quickly to unforeseen problems and opportunities and also enables the Authority to fund capital projects and improvements without having to incur additional debt.

The “*Notes to Financial Statements*” are an integral part of the financial report. The notes provide additional information to the financial statements that we believe is important to consider when analyzing the financial condition, results of operations, and cash flows of the Authority.

Proprietary Fund Accounting and Reporting

The Authority, as noted earlier, operates as a single fund in a business-like manner. Therefore, the Authority takes the full accrual approach to record-keeping and financial reporting. All assets and liabilities that are measurable and probable are reflected in the Authority’s basic financial statements. All capital assets are depreciated, which results in non-cash expenses charged to the Statements of Revenues, Expenses and Changes in Net Assets. Capital outlay is considered to be a Statement of Net Assets activity, as is all activity surrounding long-term debt principal amounts received or paid. Consequently, the Authority’s accounting practices generally resemble a commercial entity’s approach.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Financial Condition

Net Assets: The following table reflects the overall financial condition of the Authority as of the last three (3) fiscal years ended June 30, 2012, 2011 and 2010, respectively:

	2012	2011	2010
Current assets	\$ 8,628,097	\$ 3,730,330	\$ 2,435,432
Investments	6,897,095	12,054,518	12,183,584
Property and equipment, net	6,231,170	2,226,804	1,936,542
Total assets	<u>21,756,362</u>	<u>18,011,652</u>	<u>16,555,558</u>
Current liabilities	1,572,555	1,017,081	1,051,072
Total liabilities	<u>1,572,555</u>	<u>1,017,081</u>	<u>1,051,072</u>
Net assets:			
Invested in capital assets, net of debt	\$ 6,231,170	\$ 2,226,804	\$ 1,936,542
Unrestricted	13,952,637	14,767,767	13,567,944
	<u>\$ 20,183,807</u>	<u>\$ 16,994,571</u>	<u>\$ 15,504,486</u>
Current ratio	<u>5.5</u>	<u>3.7</u>	<u>2.3</u>

Current assets have increased from \$3,730,330 at June 30, 2011, to \$8,628,097 at June 30, 2012.

Investments have decreased from \$12,054,518 at June 30, 2011, to \$6,897,095 at June 30, 2012. During the year ended June 30, 2012, there were two major projects that impacted the investment balance: 1) accumulation of "soft" costs and start of construction on the new facility and 2) the purchase transaction of Azalea Trace, which included a \$3,000,000 payment for nursing home intangible assets, and subsequent lease of the existing Azalea Trace building.

Long-term assets, including capital assets, reflect the recording of the above transactions. The nursing home intangible is considered to be an indefinite life intangible and will not be subject to amortization, but will be subject to annual impairment testing. Depreciation expense was \$186,000 in 2012 versus \$172,000 in 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Assets: The following table illustrates the history of revenues, expenses and changes in net assets for the past three (3) years ended June 30, 2012, 2011 and 2010, respectively:

	2012	2011	2010
Operating revenues:			
Net patient service revenue	\$ 20,680,241	\$ 16,629,793	\$ 17,060,083
Other operating revenue	245,206	258,113	290,868
Total operating revenue	<u>20,925,447</u>	<u>16,887,906</u>	<u>17,350,951</u>
Operating expenses:			
Nursing services	8,548,023	7,269,070	7,042,509
Home care services	59,244	86,035	106,919
Special services	1,724,025	1,538,734	1,565,866
Dietary services	1,921,215	1,706,716	1,701,527
Laundry & housekeeping services	1,140,409	974,666	959,281
Plant operations	1,048,273	981,254	957,298
Administrative services	2,850,559	2,508,443	2,398,369
Depreciation and amortization	186,903	195,430	233,424
Provision for bad debts	281,271	185,831	97,158
Total operating expenses	<u>17,759,922</u>	<u>15,446,179</u>	<u>15,062,351</u>
 Income from operations	 3,165,525	 1,441,727	 2,288,600
Net nonoperating income	<u>23,711</u>	<u>48,358</u>	<u>214,739</u>
 Change in net assets	 3,189,236	 1,490,085	 2,503,339
Net assets, beginning of year	<u>16,994,571</u>	<u>15,504,486</u>	<u>13,001,147</u>
 Net assets, end of year	 <u>\$ 20,183,807</u>	 <u>\$ 16,994,571</u>	 <u>\$ 15,504,486</u>

Net patient service revenue increased by \$4,000,000 from 2011 due to the purchase of Azalea Trace, an increase in UPL for the year and a retroactive rate change for Medicaid back to February 1, 2012.

Total operating expenses have increased 18.0% from 2010 to 2012. Without consideration of Azalea Trace, operating expenses increased 4.27% in the 2 year period as follows:

- Nursing services expense increased from \$7,042,509 to \$7,556,506, or 7.3%. This is not unexpected, as Muscogee Manor continues to increase pay rates to attract and maintain quality nursing staff. Over the past several years, nursing cost increases have averaged 3.5%-4.0% annual increases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Special services expense increased from \$1,565,866 to \$1,585,740, or 1.28%. Special services expenses are tied closely to Medicare utilization.
- Dietary expenses increased from \$1,701,527 to \$1,742,051, or 2.38%.
- Investment income decreased from \$217,393 to \$23,711. General market conditions, including lower rates of return offered on investments, have driven down the investment return. In addition, certain investments were liquidated to fund purchase and construction projects. The Hospital Authority has adopted a slightly more aggressive investment strategy in an attempt to earn a greater return. However, the preservation of investment principal is the overriding factor in the investment decision making process.

Capital Asset and Debt Administration

Capital Assets Administration: As of June 30, 2012, the Authority had total capital assets, net of accumulated depreciation, of \$6,231,170. Major additions to capital assets during the year ended June 30, 2012, include:

- Purchase of Azalea Trace - \$3.3 million cost
- Construction in progress on replacement facility

Total additions to property, equipment, and construction in progress, net of purchase of Azalea Trace, were \$891,269 during 2012.

Additional information on the Authority's capital assets can be found in Note 3 on pages 18 and 19 of this report.

Debt Administration: As a component unit of the Consolidated Government of Columbus, any long-term borrowing by the Authority is provided through Revenue Anticipation Bonds issued by the Hospital Authority of Columbus and backed by the revenues of the Consolidated Government of Columbus. The Authority has no debt rating separate from the Consolidated Government of Columbus' rating. The Authority retired all existing debt during fiscal year 2010 and did not acquire any new debt during fiscal year 2012. Significant debt will be acquired in fiscal year 2013 to complete funding of the replacement facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liability Insurance Costs:

In October 2011, the Hospital Authority was able to extend its two-year policy with One Beacon for Professional and General Liability insurance, through fiscal year 2013. The Hospital Authority's experience during the policy period has continued to be good, so future premiums are expected to remain stable or perhaps see a slight decline. The Hospital Authority's experience is also reflected in lower actuarially determined deposits to the insurance trust maintained to cover deductibles on insurance claims.

Medicaid Upper Payment Limit:

As a governmental facility, Muscogee Manor qualifies for Upper Payment Limit payments that supplement its normal Medicaid payments. For the year ended June 30, 2012, Upper Payment Limit payments resulted in additional revenue of \$4,048,682, consisting of \$3,365,084 at Muscogee Manor and \$683,598 at Azalea Trace.

Further Information

This financial overview is designed to provide readers with a general overview of the Authority's finances and to show accountability. If you have questions or would like further information about this financial report, you may contact officials at 7200 Manor Road, Columbus, Georgia 31907.

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,728,315	\$ 2,168,231
Patient accounts receivable, less allowance for doubtful accounts 2012 \$239,875 and 2011 \$103,562	3,677,355	1,299,995
Estimated third party payor settlements	21,548	114,488
Prepaid expenses	182,763	135,746
Other current assets	<u>18,116</u>	<u>11,870</u>
Total current assets	<u>8,628,097</u>	<u>3,730,330</u>
INVESTMENTS		
Investments in securities, at fair value	<u>6,897,095</u>	<u>12,054,518</u>
CAPITAL ASSETS		
Capital assets not being depreciated:		
Land	1,026,018	1,026,018
Nursing home intangible	3,000,000	-
Construction in progress	<u>1,304,650</u>	<u>468,898</u>
	<u>5,330,668</u>	<u>1,494,916</u>
Capital assets, less accumulated depreciation:		
Building and improvements	6,747,168	6,747,167
Equipment	4,877,943	4,522,426
Less accumulated depreciation	<u>(10,724,609)</u>	<u>(10,537,705)</u>
	<u>900,502</u>	<u>731,888</u>
	<u>\$ 21,756,362</u>	<u>\$ 18,011,652</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 793,600	\$ 422,042
Accrued expenses	<u>778,955</u>	<u>595,039</u>
Total current liabilities	<u>1,572,555</u>	<u>1,017,081</u>
NET ASSETS:		
Invested in capital assets, net of related debt	6,231,170	2,226,804
Unrestricted	<u>13,952,637</u>	<u>14,767,767</u>
	<u>20,183,807</u>	<u>16,994,571</u>
	<u>\$ 21,756,362</u>	<u>\$ 18,011,652</u>

See Notes to Financial Statements.

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Net patient service revenue	\$ 20,680,241	\$ 16,629,793
Other revenue	245,206	258,113
Total revenue	20,925,447	16,887,906
Expenses:		
Nursing services	8,548,023	7,269,070
Home care services	59,244	86,035
Special services	1,724,025	1,538,734
Dietary services	1,921,215	1,706,716
Laundry and housekeeping	1,140,409	974,666
Plant operations	1,048,273	981,254
Administrative services	2,850,559	2,508,443
Depreciation and amortization	186,903	195,430
Provision for bad debts	281,271	185,831
	17,759,922	15,446,179
Operating income	3,165,525	1,441,727
Non-operating income		
Income on investments of restricted assets under indenture agreements	-	25
Other investment income	23,711	48,333
	23,711	48,358
Revenues and gains in excess of expenses and losses	3,189,236	1,490,085
Net assets at beginning of year	16,994,571	15,504,486
Net assets at end of year	\$ 20,183,807	\$ 16,994,571

See Notes to Financial Statements.

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patient service revenue	\$ 18,114,550	\$ 16,433,641
Other operating receipts	245,206	258,113
Payments to suppliers and employees	<u>(16,789,537)</u>	<u>(15,099,627)</u>
Net cash provided by operating activities	<u>1,570,219</u>	<u>1,592,127</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,191,269)	(485,692)
Purchase of nursing home intangible	<u>(3,000,000)</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(4,191,269)</u>	<u>(485,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	5,157,423	129,066
Interest and dividends received	<u>23,711</u>	<u>48,358</u>
Net cash provided by investing activities	<u>5,181,134</u>	<u>177,424</u>
Net increase in cash and cash equivalents	<u>2,560,084</u>	<u>1,283,859</u>
Cash and cash equivalents:		
Beginning of year	<u>2,168,231</u>	<u>884,372</u>
End of year	<u>\$ 4,728,315</u>	<u>\$ 2,168,231</u>

See Notes to Financial Statements.

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,165,525	\$ 1,441,727
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	186,903	195,430
Provision for doubtful accounts	281,271	185,831
Changes in assets and liabilities:		
(Increase) in patient accounts receivable	(2,658,631)	(336,969)
Decrease in estimated third party settlements	92,940	140,817
(Increase) decrease in prepaid expenses	(47,017)	2,217
(Increase) in other current assets	(6,246)	(2,935)
Increase (decrease) in accounts payable	371,558	(98,442)
Increase in accrued expenses	<u>183,916</u>	<u>64,451</u>
Net cash provided by operating activities	<u><u>\$ 1,570,219</u></u>	<u><u>\$ 1,592,127</u></u>

See Notes to Financial Statements.

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hospital Authority of Columbus (the "Authority") is a component unit of the Consolidated Government of Columbus, Georgia. The Authority is composed of Muscogee Manor and Rehabilitation Center, a 242-bed long-term care facility, Azalea Trace Nursing Center, a 110-bed long-term care facility, Cobis, a 100-bed assisted living facility, and Muscogee Home Health, a Home Health Agency.

On March 1, 2012, the Authority purchased the nursing center operations of Azalea Trace Nursing Center for \$3,300,000. The Authority is leasing the Nursing Center building under terms of an operating lease.

A summary of the Authority's significant accounting policies follows:

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when earned and measurable and expenses are recognized when they are incurred, if measurable. In accounting and reporting for its operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements, and applies all Financial Accounting Standards Board (FASB) pronouncements and interpretations issued on or before November 30, 1989. Such FASB pronouncements are applied unless they conflict with or contradict GASB pronouncements.

Management Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenues

Approximately 81% and 74% of net patient service revenue for the years ended June 30, 2012 and 2011, respectively, was derived from payments by federal, state and local medical assistance programs, primarily from state Medicaid and federal Medicare programs. The remaining 19% and 26% was derived from private pay residents, which includes all residents of Cobis.

Revenue from patient services is recognized as the services are rendered. Medicaid and Medicare patients are billed at the end of the month for services rendered during the month. Private pay patients are billed in advance at the beginning of the month. If a private pay patient leaves the facility prior to the end of the month, a refund is provided for services not rendered.

Revenues received under the Medicaid program are based in part on cost reimbursement principles and are subject to audit by state agencies. Medicaid and Medicare cost reports through June 30, 2011 have been filed without significant adjustments and arrangements have been made to file Medicaid and Medicare cost reports for June 30, 2012. Management believes it has properly applied cost reimbursement principles in preparation of those cost reports that have not yet been audited.

Revenues for services rendered under the Medicare program are based on a prospective payment system, under which the facility is paid varying amounts based on individual patient acuity, regardless of the cost incurred to care for that patient. Under this reimbursement methodology, the facility prepares an annual cost report and has a settlement with the Medicare program for bad debts that are deemed to be reimbursable under existing Medicare regulations. All other costs are considered to be reimbursed through the prospective payment rates. Home Health Agency services provided under the Medicare program are reimbursed under a prospective payment system in 60-day cycles.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenues (Continued)

Approximately 75% of the patient accounts receivable balance at June 30, 2012, was due from federal, state and local medical assistance programs, primarily Medicaid and Medicare. The remaining 25% was due from private pay patients.

Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. It is the policy of the Authority to purchase commercial insurance policies to cover these risks. Effective with the October 1, 2004 liability insurance renewal, the Authority purchased a claims made policy. The Authority has no obligation to pay a deductible on each claim.

Capital Assets

Capital assets are recorded at cost. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 10 to 40 years for building and improvements and five to 20 years for equipment.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

The nursing home intangible represents amounts paid for the purchase of operating rights to Azalea Trace Nursing Home that exceeded the purchase price allocated to equipment. The nursing home intangible is considered to have an indefinite life and will be reviewed for impairment annually.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash and money market accounts, excluding amounts whose use is restricted by the note indenture, not subject to withdrawal restrictions to be cash and cash equivalents. Certificates of deposit with an initial maturity of 90 days or less are also considered to be cash equivalents.

Gifts, Contributions and Grants

Gifts, contributions and grants are recorded as of the date of receipt. Non-cash items are recorded at fair value on the date of the gift.

Investments

Investments are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating income when earned.

Compensated Absences

The Authority has accrued a liability for future annual leave, having determined that payment of such compensation is probable and having developed a reasonable estimate based upon current salary costs with no benefits. The cost of vacation paid during the current year is charged to the liability account. No liability is incurred or recorded for non-vesting accumulating rights to receive sick pay.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments for the years ended June 30, 2012 and 2011, are summarized as follows:

	June 30,	
	<u>2012</u>	<u>2011</u>
As reported in the Statement of Net Assets:		
Cash and cash equivalents	<u>\$ 4,728,315</u>	<u>\$ 2,168,231</u>
Investments:		
Money Market funds	\$ 6,800,129	\$ 11,857,924
Certificates of deposit	<u>96,966</u>	<u>196,594</u>
	<u>\$ 6,897,095</u>	<u>\$ 12,054,518</u>

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits all operating investments to remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

June 30, 2012	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,026,018	\$ -	\$ -	\$ 1,026,018
Construction in progress	468,898	835,752	-	1,304,650
Nursing home intangible	-	3,000,000	-	3,000,000
Total capital assets, not being depreciated	1,494,916	3,835,752	-	5,330,668
Capital assets, being depreciated				
Buildings and improvements	6,747,167	-	-	6,747,167
Equipment	4,522,426	355,517	-	4,877,943
Total capital assets, being depreciated	11,269,593	355,517	-	11,625,110
Less accumulated depreciation for:				
Buildings and improvements	(6,441,087)	(81,338)	-	(6,522,425)
Equipment	(4,096,618)	(105,565)	-	(4,202,183)
Total accumulated depreciation	(10,537,705)	(186,903)	-	(10,724,608)
Total capital assets being depreciated, net	731,888	168,614	-	900,502
Total capital assets, net	\$ 2,226,804	\$ 4,004,366	\$ -	\$ 6,231,170

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS (CONTINUED)

June 30, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,026,018	\$ -	\$ -	\$ 1,026,018
Construction in progress	14,886	454,012	-	468,898
Total capital assets, not being depreciated	<u>1,040,904</u>	<u>454,012</u>	<u>-</u>	<u>1,494,916</u>
Capital assets, being depreciated				
Buildings and improvements	6,727,167	20,000	-	6,747,167
Equipment	4,510,746	11,680	-	4,522,426
Total capital assets, being depreciated	<u>11,237,913</u>	<u>31,680</u>	<u>-</u>	<u>11,269,593</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,345,857)	(95,230)	-	(6,441,087)
Equipment	(3,996,418)	(100,200)	-	(4,096,618)
Total accumulated depreciation	<u>(10,342,275)</u>	<u>(195,430)</u>	<u>-</u>	<u>(10,537,705)</u>
Total capital assets being depreciated, net	895,638	(163,750)	-	731,888
Total capital assets, net	<u>\$ 1,936,542</u>	<u>\$ 290,262</u>	<u>\$ -</u>	<u>\$ 2,226,804</u>

All depreciation expense is related to the provision of healthcare services. On March 1, 2012, the Authority purchased operating rights to Azalea Trace Nursing Home for \$3,300,000. The purchase price was allocated \$300,000 to identifiable equipment and \$3,000,000 to a nursing home intangible that recognizes the Authority's receipt of the Certificate of Need. The nursing home intangible is considered to be an indefinite life intangible and, as a result, will not be amortized.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RETIREMENT BENEFITS

Plan Description

The Hospital Authority of Columbus contributes to the Columbus Consolidated Government Employees' Pension Plan, a multiple employer, non-contributory, cost sharing defined benefit pension plan administered by the Consolidated Government of Columbus, Georgia. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The Consolidated Government of Columbus, Georgia issues a publicly available financial report that includes financial statements and required supplementary information for the Columbus Consolidated Government Employees' Pension Plan. The report may be obtained by writing to the Consolidated Government of Columbus, Georgia.

Funding Policy

During the 1991 fiscal year, the Consolidated Government effectively repealed all prior funding ordinances and provided for the funding of the plan in accordance with the minimum requirements established by Title 47 of the Official Code of Georgia, Annotated.

The Hospital Authority's total contribution necessary to pay normal cost plus amortize the unfunded actuarial accrued liability as stipulated by Georgia Law was \$1,290,539, which represents approximately 11.13% of total Columbus Consolidated Government employer required contributions. This required contribution represents approximately 18.68% of covered payroll. The Consolidated Government of Columbus, Georgia may amend the contribution requirements of plan members, including the Hospital Authority of Columbus.

Section 457 Plan

The Authority sponsors a trustee Section 457 retirement plan that is available to all employees meeting the eligibility requirements. Contributions to the plan are derived completely from employee withholdings. The Authority does not match any employee contributions nor does it make discretionary contributions.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. COMMITMENTS AND CONTINGENCIES

In prior years, the Authority received Hill-Burton funds to be applied toward the construction of and additions to the facility. Under the Act, the Authority is required to notify potential residents as to the availability of the program and to provide services free of charge to indigent patients. If at any time after the completion of construction of the facility, and before the facility's obligation is met through the provision of indigent care, the facility is sold or transferred to any individual or organization which is not qualified to file an application under the Hospital Survey and Construction Act, or is not approved as a transferor by the Georgia Board of Health or has ceased to be a non-profit nursing home, the United States shall be entitled to recover from either the transferor (or, in the case that the Authority ceases to be a nonprofit organization, from the owner thereof) the contributed percentage of the then value of the Authority as determined by the United States for the District in which the Authority is located. In the opinion of management, the Authority has fulfilled its obligation under Hill-Burton, but it has not been released from the obligation by the Hill-Burton program.

The Authority has several claims and legal proceedings concerning patient care issues. In the opinion of management and the Authority's outside counsel, such proceedings are substantially covered by the Authority's liability and umbrella insurance, subject to deductibles and claims handling fees and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Authority's financial position, results of operations or cash flows.

NOTE 6. UPPER PAYMENT LIMIT RATE ADJUSTMENTS

As a governmental provider of nursing home services under the Medicaid program, the Authority, specifically Muscogee Manor Nursing and Rehabilitation Center, qualified for an Upper Payment Limit (UPL) rate adjustment for the years ended June 30, 2012 and 2011. Under this program, the Authority is paid for its Medicaid residents based on the difference between its Medicaid per diem vs. the average Medicare rate paid to the facility.

For the year ended June 30, 2012, the Authority qualified for a UPL adjustment of approximately \$102 per Medicaid day (of which the Authority is eligible for 54.99%), which resulted in additional payments to Muscogee Manor of \$3,365,084 and to Azalea Trace of \$683,598 for the year. Since the UPL is related to patient service, the additional payments are included in net patient service revenue in the statement of revenues and expenses and changes in net assets for the year ended June 30, 2012. For the year ended June 30, 2011, the UPL resulted in additional payments to Muscogee Manor of \$2,168,678.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OPERATING LEASES

The Authority leases one nursing facility under an operating lease expiring in February 2014. The total minimum rental commitment at June 30, 2012, under terms of the operating lease is due as follows:

2013	\$ 200,004
2014	133,336
	<u>\$ 333,340</u>

The total rental expense included in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2012 is \$66,667. There were no operating leases at June 30, 2011.

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	Muscogee Manor and Rehabilitation Center	Azalea Trace Nursing Center	Cobis	Muscogee Home Health	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,515,065	\$ 1,105,103	\$ 42,335	\$ 65,812	\$ 4,728,315
Patient accounts receivable, less allowance for doubtful accounts \$239,875	1,597,805	1,839,177	14,168	226,205	3,677,355
Intercompany accounts receivable	11,117,572	(5,170,770)	(5,364,602)	(582,200)	-
Estimated third party payor settlements	21,548	-	-	-	21,548
Prepaid expenses	125,229	43,728	7,893	5,913	182,763
Other current assets	18,116	-	-	-	18,116
Total current assets	<u>16,395,335</u>	<u>(2,182,762)</u>	<u>(5,300,206)</u>	<u>(284,270)</u>	<u>8,628,097</u>
INVESTMENTS					
Investments in securities, at fair value	<u>6,897,095</u>	-	-	-	6,897,095
	<u>6,897,095</u>	-	-	-	6,897,095
CAPITAL ASSETS					
Capital assets not being depreciated:					
Land	1,026,018	-	-	-	1,026,018
Nursing home intangible	-	3,000,000	-	-	3,000,000
Construction in progress	<u>1,304,650</u>	-	-	-	1,304,650
	<u>2,330,668</u>	<u>3,000,000</u>	-	-	5,330,668
Capital assets, less accumulated depreciation:					
Building and improvements	4,401,966	-	2,345,202	-	6,747,168
Equipment	2,668,665	330,521	1,862,807	15,950	4,877,943
Less accumulated depreciation	<u>(6,651,228)</u>	<u>(15,034)</u>	<u>(4,042,397)</u>	<u>(15,950)</u>	<u>(10,724,609)</u>
	<u>419,403</u>	<u>315,487</u>	<u>165,612</u>	-	900,502
	<u>\$ 26,042,501</u>	<u>\$ 1,132,725</u>	<u>\$ (5,134,594)</u>	<u>\$ (284,270)</u>	<u>\$ 21,756,362</u>
LIABILITIES AND NET ASSETS (DEFICIT)					
CURRENT LIABILITIES					
Accounts payable	\$ 556,427	\$ 212,340	\$ 11,320	\$ 13,513	\$ 793,600
Accrued expenses	<u>590,515</u>	<u>97,774</u>	<u>30,147</u>	<u>60,519</u>	<u>778,955</u>
Total current liabilities	<u>1,146,942</u>	<u>310,114</u>	<u>41,467</u>	<u>74,032</u>	<u>1,572,555</u>
NET ASSETS (DEFICIT)					
	<u>24,895,559</u>	<u>822,611</u>	<u>(5,176,061)</u>	<u>(358,302)</u>	<u>20,183,807</u>
	<u>\$ 26,042,501</u>	<u>\$ 1,132,725</u>	<u>\$ (5,134,594)</u>	<u>\$ (284,270)</u>	<u>\$ 21,756,362</u>

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	Muscogee Manor and Rehabilitation Center	Cobis	Muscogee Home Health	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,037,544	\$ 21,096	\$ 109,591	\$ 2,168,231
Patient accounts receivable, less allowance for doubtful accounts \$103,562	1,171,801	(9,092)	137,286	1,299,995
Intercompany accounts receivable	5,648,658	(5,164,704)	(483,954)	-
Estimated third party payor settlements	114,488	-	-	114,488
Prepaid expenses	122,648	7,731	5,367	135,746
Other current assets	11,870	-	-	11,870
Total current assets	<u>9,107,009</u>	<u>(5,144,969)</u>	<u>(231,710)</u>	<u>3,730,330</u>
INVESTMENTS				
Investments in securities, at fair value	<u>12,054,518</u>	<u>-</u>	<u>-</u>	<u>12,054,518</u>
	<u>12,054,518</u>	<u>-</u>	<u>-</u>	<u>12,054,518</u>
CAPITAL ASSETS				
Capital assets not being depreciated:				
Land	1,026,018	-	-	1,026,018
Construction in progress	468,898	-	-	468,898
	<u>1,494,916</u>	<u>-</u>	<u>-</u>	<u>1,494,916</u>
Capital assets, less accumulated depreciation:				
Building and improvements	4,401,965	2,345,202	-	6,747,167
Equipment	2,643,669	1,862,807	15,950	4,522,426
Less accumulated depreciation	(6,544,213)	(3,977,542)	(15,950)	(10,537,705)
	<u>501,421</u>	<u>230,467</u>	<u>-</u>	<u>731,888</u>
	<u>\$ 23,157,864</u>	<u>\$ (4,914,502)</u>	<u>\$ (231,710)</u>	<u>\$ 18,011,652</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	\$ 414,935	\$ 2,468	\$ 4,639	\$ 422,042
Accrued expenses	513,189	29,397	52,453	595,039
Total current liabilities	<u>928,124</u>	<u>31,865</u>	<u>57,092</u>	<u>1,017,081</u>
NET ASSETS (DEFICIT)				
	<u>22,229,740</u>	<u>(4,946,367)</u>	<u>(288,802)</u>	<u>16,994,571</u>
	<u>\$ 23,157,864</u>	<u>\$ (4,914,502)</u>	<u>\$ (231,710)</u>	<u>\$ 18,011,652</u>

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Muscogee Manor and Rehabilitation Center	Azalea Trace Nursing Center	Cobis	Muscogee Home Health	Total
Net patient service revenue	\$ 16,325,014	\$ 2,876,564	\$ 639,294	\$ 839,369	\$ 20,680,241
Other revenue	231,109	1,115	12,910	72	245,206
Total revenue	16,556,123	2,877,679	652,204	839,441	20,925,447
Expenses:					
Nursing services	7,238,132	991,517	-	318,374	8,548,023
Home care services	-	-	-	59,244	59,244
Special services	1,396,445	138,285	-	189,295	1,724,025
Dietary services	1,665,518	179,164	76,533	-	1,921,215
Laundry and housekeeping	943,866	130,722	65,821	-	1,140,409
Plant operations	792,936	82,109	160,176	13,052	1,048,273
Administrative services	1,632,013	423,722	524,588	270,236	2,850,559
Depreciation and amortization	107,015	15,034	64,854	-	186,903
Provision for bad debts	138,090	94,515	(10,074)	58,740	281,271
	13,914,015	2,055,068	881,898	908,941	17,759,922
Operating income (loss)	2,642,108	822,611	(229,694)	(69,500)	3,165,525
Non-operating income					
Income on investments of restricted assets under indenture agreements	-	-	-	-	-
Other investment income	23,711	-	-	-	23,711
	23,711	-	-	-	23,711
Revenues and gains (expenses and losses) in excess of expenses and losses or (revenues and gains)	2,665,819	822,611	(229,694)	(69,500)	3,189,236
Net assets (deficit) at beginning of year	22,229,740	-	(4,946,367)	(288,802)	16,994,571
Net assets (deficit) at end of year	\$ 24,895,559	\$ 822,611	\$ (5,176,061)	\$ (358,302)	\$ 20,183,807

HOSPITAL AUTHORITY OF COLUMBUS
(A Component Unit of the Consolidated
Government of Columbus, Georgia)

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	Muscogee Manor and Rehabilitation Center	Cobis	Muscogee Home Health	Total
Net patient service revenue	\$ 15,152,145	\$ 639,493	\$ 838,155	\$ 16,629,793
Other revenue	245,636	12,432	45	258,113
Total revenue	<u>15,397,781</u>	<u>651,925</u>	<u>838,200</u>	<u>16,887,906</u>
Expenses:				
Nursing services	6,972,133	-	296,937	7,269,070
Home care services	-	-	86,035	86,035
Special services	1,396,796	-	141,938	1,538,734
Dietary services	1,629,212	77,504	-	1,706,716
Laundry and housekeeping	903,948	70,718	-	974,666
Plant operations	813,200	155,127	12,927	981,254
Administrative services	1,711,012	520,323	277,108	2,508,443
Depreciation and amortization	130,059	65,258	113	195,430
Provision for bad debts	160,414	25,417	-	185,831
	<u>13,716,774</u>	<u>914,347</u>	<u>815,058</u>	<u>15,446,179</u>
Operating income (loss)	<u>1,681,007</u>	<u>(262,422)</u>	<u>23,142</u>	<u>1,441,727</u>
Non-operating income				
Income on investments of restricted assets				
under indenture agreements	25	-	-	25
Other investment income	48,333	-	-	48,333
	<u>48,358</u>	<u>-</u>	<u>-</u>	<u>48,358</u>
Revenues and gains (expenses and losses) in excess of expenses and losses or (revenues and gains)	1,729,365	(262,422)	23,142	1,490,085
Net assets (deficit) at beginning of year	<u>20,500,375</u>	<u>(4,683,945)</u>	<u>(311,944)</u>	<u>15,504,486</u>
Net assets (deficit) at end of year	<u>\$ 22,229,740</u>	<u>\$ (4,946,367)</u>	<u>\$ (288,802)</u>	<u>\$ 16,994,571</u>

APPENDIX B

FINANCIAL STATEMENTS OF THE CONSOLIDATED GOVERNMENT OF COLUMBUS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The attached portion of the financial statements of Columbus as of June 30, 2012, and for the year then ended, included as Appendix B, have been audited by Albright Fortenberry & Ninas, LLP, Columbus, Georgia, independent Certified Public Accountants, to the extent and for the period indicated in its report thereon which appears in this Appendix B. Such financial statements have been included herein in reliance upon the report of Albright Fortenberry & Ninas, LLP.

The inclusion of the general purpose financial statements of Columbus should not give the impression that moneys from Columbus's General Fund or moneys from any other fund of Columbus are providing security for the Series 2013 Certificates.

To review the Comprehensive Annual Financial Report ("CAFR") of Columbus for the year ended June 30, 2012, in its entirety, the CAFR is available online at <http://www.columbusga.com>.

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COMPREHENSIVE ANNUAL
FINANCIAL REPORT



CONSOLIDATED GOVERNMENT
OF
COLUMBUS, GEORGIA

FOR FISCAL YEAR ENDED JUNE 30, 2012

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The

Fiscal Year Ended June 30, 2012

PREPARED BY THE DEPARTMENT OF FINANCE

Pamela J. Hodge, Finance Director

Columbus Consolidated Government

Finance Department

100 10th Street --- Columbus, Georgia 31901 - 2718

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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- Certificate of Achievement for Excellence in Financial Reporting
- Organizational Chart
- Principal Officials



Columbus, Georgia

Georgia's First Consolidated Government

P.O. Box 1340, Columbus, Georgia 31902-1340

Honorable Teresa Pike Tomlinson, Mayor
Members of Council, and
Citizens of Columbus, Georgia

December 6, 2012

Ladies and Gentlemen:

I am pleased to present for your consideration this Comprehensive Annual Financial Report of the Consolidated Government of Columbus, Georgia for the fiscal year ended June 30, 2012. State law requires that every general-purpose local government publish within six months of the close of the fiscal year a complete set of audited financial statements. Responsibility for both the accuracy of the data and the thoroughness and fairness of presentation including all disclosures rests with the Consolidated Government. I believe the data as presented is accurate in all material aspects, and that it is presented in a manner which presents fairly the financial position and results of operations of the Consolidated Government of Columbus, Georgia as measured by the financial activity of its various funds. All disclosures necessary to enable interested citizens to gain a reasonable understanding of the Consolidated Government's financial affairs have been included.

Albright Fortenberry & Ninas, LLP, Certified Public Accountants have issued an unqualified ("clean") opinion on the Columbus Consolidated Government's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an analysis of the past year's operations of general government and major enterprise activities, and an overview of the Consolidated Government's current and future economic picture as well as its major initiatives and financial accomplishments for the year. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Columbus, Georgia Consolidated Government receives federal financial assistance through various federal grant programs. An audit in accordance with the Single Audit Act of 1984, P.L. 98-502, and Office of Management and Budget (OMB) Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations", and "Government Auditing Standards" issued by the Comptroller General of the United States has been performed for the fiscal year ended June 30, 2012. The required reports on supplementary information, compliance, and internal controls along with various supplementary schedules will be provided under a separate report cover.

Reporting Entity

Columbus is a political subdivision of the State of Georgia created by virtue of a Constitutional Amendment authorizing the consolidation of the County of Muscogee with the City of Columbus, as ratified in a general election held on November 5, 1968. The General Assembly of the State of Georgia pursuant to powers in the Constitutional Amendment created a Charter Commission, which prepared and submitted a Charter for the Consolidated Government of Columbus. This Charter was ratified in an election held on November 3, 1970. Commencing January 1, 1971, Columbus became a consolidated city-county government, its territorial limits covering all 220 square miles of what had been Muscogee County. Bibb City, a small textile community within the consolidated territory, requested that the State of Georgia repeal its charter effective January 1, 2001 and requested that the Consolidated Government assume responsibility of providing

municipal services to Bibb City residents. The Georgia General Assembly passed House Bill 205, Act No. 36 on January 31, 2001 to repeal the charter of the Town of Bibb City and provided for the disposition of the assets, property, liabilities, and legal rights of the town.

Columbus is governed by a mayor and ten council members elected by the voters. The Mayor serves a four-year term, and is the official spokesman for the consolidated government. The Mayor also functions as Public Safety director. Members of the City Council serve four-year staggered terms. The eight district councilors represent specific districts within the territorial limits of Columbus. The two councilors-at-large are elected from the various districts. The City Manager is appointed by the Mayor and confirmed by Council, and is responsible for the day-to-day operation of the government.

The Columbus Consolidated Government provides a full range of services to its citizens. This includes public safety (police, fire, and emergency medical services), transportation, sanitation, judicial, health and social services, recreation, community development and other general governmental services. In addition, Columbus operates a public transportation system, downtown parking garages, a civic center, and an integrated waste management system as business enterprises. The financial statements in this report include all of these functions and activities of the government.

In addition to these activities, the Consolidated Government has financial accountability for other organizations and financial units based on its ability to appoint a voting majority of the organization's governing body, and effectively impose its will on the organization. Also, financial accountability exists where there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Consolidated Government. Based upon the application of these criteria, financial statements of certain organizations have been included in this report as part of the reporting entity. The following functions and activities have been included.

Consolidated Government of Columbus, Georgia Public Employees Retirement System

Columbus Golf Authority - component unit

Columbus Iron Works Convention and Trade Center Authority - component unit

Columbus Convention and Visitors Bureau - component unit

Columbus Building Authority

Columbus Water Works - component unit

Hospital Authority of Columbus - component unit

Columbus Airport Commission - component unit

Columbus Department of Public Health - component unit

General Information

Planned for growth from the beginning, Columbus has become a city of regional importance. From its conception in 1828 by the Georgia state legislature, Columbus has become the state's third largest city, serving 190,000 citizens. Located on the east bank of the Chattahoochee River, which is the Georgia-Alabama state boundary, Columbus draws commercial activity from east Alabama as well as west Georgia. Columbus is the hub of an MSA that includes Phenix City, Alabama and the Fort Benning Military Reservation as well as surrounding counties that are linked socially and economically to Columbus. The city is located approximately 110 miles southwest of Atlanta and 85 miles east of Montgomery.

In 1971, Columbus became the first city in the State of Georgia and the 17th in the nation to have a city-county consolidated government. As such, it has all of the governmental and corporate powers, duties, and functions formerly held by the City of Columbus and Muscogee County.

Columbus is unique in Georgia in the authorized method of taxation allowed by the Constitutional Amendment and the Charter. The Charter authorizes the creation of urban service districts and empowers Columbus to vary the rate and manner of taxation in each district to reasonably reflect the degree and level of services provided. As a result, citizens pay taxes only for those services that they receive.

The population of Columbus has risen slowly, from 179,278 in 1990 to 186,291 in 2000 to 189,885 according to the 2010 U.S. Census tally. As typical for a growing metropolitan area, the population within the city boundaries increased only 2% between the 2000 and 2010 census, while populations in outlying cities and counties grew at much greater rates, including 16% for neighboring Phenix City, Alabama, 61% for Smiths Station, Alabama, 22% for Lee County, Alabama, and 35% for Harris County, Georgia.

Natural Features & Land Use

Columbus is located on the Fall Line, the natural division of the Piedmont Plateau of north Georgia and the Coastal Plain of south Georgia and Florida. Its physical features include steep slopes in the north, transitioning to level terrain in the south. Several streams and creeks provide good natural drainage to the Chattahoochee River. Columbus owes its existence to the Chattahoochee River, as it was developed at the northernmost point of navigation on the river, making Columbus an important trading post during the 1800's. Columbus became a major industrial center, using the river for both transportation and to power numerous mills and factories along its banks.

With Phenix City to the west and Fort Benning to the south and southeast, most of the growth of Columbus is left to the north and northeast sections of the city. This has resulted in the need for intensive infrastructure improvements in these areas and has also raised concern among citizens in the south regarding lowering economic conditions, as more businesses move to the north. The Columbus Consolidated Government is working diligently with public-private partnerships, such as Columbus South, Inc., and Midtown, Inc., to help revitalize these areas.

Most of Columbus' historic residential, commercial and public buildings are located in the central portion of Columbus. Columbus State University has made a great investment in downtown Columbus and has completed the renovation of several historic manufacturing and warehouse buildings for the purposes of classrooms, arts centers, and loft dormitories. Other similar buildings have been or are being transformed into loft apartments, antiques malls, or motels. Beginning with the Springer Theatre (The State Theatre of Georgia) and the Columbus Iron Works Trade and Convention Center, Columbus has long recognized the importance of preserving and using its historic resources.

Economic Condition & Outlook

Columbus is the center of a four-county metropolitan statistical area comprised of Muscogee, Harris and Chattahoochee Counties in Georgia and Russell County in Alabama. Columbus provides the economic foundation of a much larger area, however. Columbus serves as the trade, distribution, manufacturing, medical and financial center for a twenty-six county area of Georgia and Alabama. Columbus includes approximately 20% of the MSA land area and approximately 68% of the MSA population.

The value of new construction in Columbus increased for the third year in a row, up 23% from \$203,327,822 in FY11 to \$251,777,808, although the number of new construction permits decreased from 954 to 771. The number of new single-family dwelling permits decreased slightly from 391 to 361, with a decrease in valuation from \$74,180,832 to \$71,755,426. The value of multi-family residential permits also peaked in FY11, falling from \$54,148,594 to \$36,251,628. Two new hotel/motel permits were issued, in the amount of \$14,652,131. Twelve permits for offices/banks and other professional buildings, totaling \$37,656,609 were issued, almost tripling last year's total. One

permit for schools and educational buildings totaled \$18,700,000. The highest value of any single permit was the \$36,952,000 hospitals/institutional buildings permit issued, obviously for the addition to St. Francis Hospital. Included among the remaining permits are 11 permits for stores and mercantile buildings valued at \$13,229,505.

Unemployment for the year ended at decreased a tenth of a point over the previous year-end rate to 9.8%. This was slightly worse than the state non-seasonally adjusted rate of at 9.5%, and both worse than the U.S. non-seasonally adjusted rate of 8.2%. Although Columbus had fewer people recorded as unemployed at the end of FY12 than the previous year (8,390 compared to 8,608), the civilian labor force shrank from 87,144 to 85,850, which resulted in the minimal drop in the unemployment rate. The unemployment rate for the Columbus MSA was also 9.8%, which was unchanged from the previous year. But unlike Columbus the MSA had a significant increase in the civilian labor force, from 109,750 to 132,744, and the number of employed from 99,038 to 119,738. While these numbers reflect only the civilian labor force, the increases can be attributed in large part to the effects of the BRAC expansion at Fort Benning as well at the KIA automotive facility in West Point and the feeder industries still locating in the area.

As mentioned in the FY11 CAFR, the population growth originally anticipated as the result of the BRAC realignment did not turn out quite as expected due to Pentagon cutbacks resulting from the economy and pressures to reduce the Federal budget deficit. While the increases in the population as well as the number of permanent military employees ended up ranging from 21% to 31% below original estimates, the effect of BRAC was still phenomenal. Twenty thousand acres were reshaped. \$3.5 billion was invested in construction or renovation of facilities, with an increase of 6 million square feet of building space. 140 miles of new roads or trails were built. 13 new bridges were built, each with the capacity to support 70-ton tanks. A new 75-bed, 750,000 square foot Martin Army Hospital was constructed, at a cost of \$330 million. An 860 room lodge is under construction at a cost of \$100 million. The number of new jobs created or to be created is estimated at 9,000. Prior to BRAC, the economic impact of Fort Benning was estimated at \$4.3 billion, including \$1.3 billion in salaries and \$3 billion in regional contracts. The effect of BRAC is estimated to add \$1.65 billion annually in on-post salaries and contracts as well as regional sales and income. While the BRAC expansion officially was completed on September 15, 2011, related projects remain, including the relocation of the National Armor Museum, with its price tag of \$75 million.

The city continues to place emphasis on development of economically disadvantaged areas through the designation of Enterprise Zones and other related activities. Businesses locating or expanding in the Enterprise Zones qualify for tax incentives through the Georgia Enterprise Zone Employment Act of 1997.

Major Initiatives

During the 2012 fiscal year work on several significant events, programs and capital projects was continued and/or completed.

The American Recovery and Reinvestment Act of 2009 was passed by Congress and signed into law by President Obama on February 17, 2009. This act provided over \$780 billion in funding to help stimulate the economy during the economic downturn of the time. The Columbus Consolidated Government took initiative to take advantage of as much of this funding as possible to help with major infrastructure improvements and capital projects while providing a boost to the local economy. The city received \$26.4 million in funding for a wide range of projects ranging from job training programs to transportation programs to community development programs. Stimulus projects underway and/or completed in FY12 included \$2.37 million for the Fall Line Trace walking/biking trail, \$2.5 million for the Veterans Parkway Streetscapes project, \$1.225 million for neighborhood revitalization and homelessness prevention, \$2.8 million for METRA buses and enhancements, \$1.8 million for energy efficiency and conservation programs, \$1.9 million for job training and assistance programs, and \$666,900 for law enforcement, courts, prosecution and drug prevention programs. Projects begun in FY 2011 include the \$3.2 million intelligent transportation system on Veteran's Parkway, the \$2 million final phase of the I-185 Gateway entrance to Fort Benning project, and \$3.35 million for renovation of the 14th Street Pedestrian Bridge over the Chattahoochee River. Two significant projects, the Rails To Trails and the I-185 Gateway to Fort Benning, were completed and dedicated in early FY 2012. The few remaining Stimulus programs will be completed by February, 2013. The current status of all of the City's ARRA stimulus programs can be monitored on the City's website.

Among the largest and most newsworthy of all economic projects during FY12 is the Chattahoochee River whitewater project. This project is just one of many examples of the city's strong track record of partnering with the community to provide its own stimulus for economic growth. The project was formally announced in FY 2010 and construction began shortly after the end of FY 2011 with the building of access roads to the river for the purpose of restructuring rocks below the dams. This is a \$23 million dollar project that the city has committed \$1.66 million beginning in FY12 and continuing for the next two years, with the remaining funds to be raised from private sources and federal grants. The project involves breaching two small dams on the river and reconstructing much of the river bottom to create a world-class 2.5 mile whitewater course that is expected to create a \$42 million annual economic impact to the city, including 144,000 out of town visitors, \$300,000 in lodging taxes, \$1.7 million in sales taxes, and the creation of 700 jobs. The project is expected to be completed by early summer of 2013. The course is being billed as the world's longest urban whitewater course. The project has generated interest from whitewater enthusiasts from around the world and already, plans for whitewater competitions and outdoor recreation association conventions are being finalized as a result.

On July 15, 2008, voters approved a new 1% Other Local Option Sales Tax (LOST), to take effect on January 1, 2009. It is the intent of the Consolidated Government for 70% of the funds raised to be used for public safety, and the remaining 30% for infrastructure improvements. Significant among the public safety plans was the hiring of 100 new police officers, which took place during FY09 and FY10.

On November 2, 1999, the voters of Muscogee approved a special one percent retail sales and use tax to raise \$255,441,322 for various capital outlay projects, including but not limited to a new high-tech library/learning center, road improvements, storm water control/ flood abatement, public safety equipment and fire stations, swimming pools, animal shelter, clean air buses, trade center expansion, Animal Control Center, Lake Oliver Marina and industrial park development. Most of these projects are either completed or in the final stages of construction. Other SPLOST projects that are in the beginning stages of construction include a Citizen Service Center, Liberty District Redevelopment and the Oxbow Meadows development. Sales tax collections were completed in September 2008.

A focus on revitalization of economically depressed areas in the City has proven successful through collaboration among City officials, residents, non-profit and for-profit organizations and businesses to clean up neighborhoods and provide education programs that allow neighborhoods to continue their revitalization efforts independently.

Looking to the Future

The Finance Department updated a financial plan showing revenue and expenditure histories, which was used extensively in the FY2011 and FY2012 budget processes. Looking to the future, the Consolidated Government is in the process of determining funding sources and options to fund transportation projects, storm water and drainage requirements, technology upgrades, vehicle replacement and maintenance of existing facilities. In addition, the Consolidated Government is working to have a fully funded Pension plan over the next 12 to 14 years.

In addition to these fiscal objectives, Columbus has adopted a fund balance policy to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain an unrestricted fund balance in the General Fund of up to 90 days but not less than 60 days of annual budgeted expenditures for the fiscal year. The actual unassigned General Fund balance at June 30, 2012 increased by \$3,152,455. The majority of the increase in unassigned fund balance is attributable an excess of revenues over expenditures and a reduction in FY12 fund balance assignments for River Restoration (Whitewater Initiative) and revitalization of Baker Village.

Financial Information

Internal Controls

The Consolidated Government's system of internal accounting control is designed to provide reasonable, but not absolute, assurance regarding:

1. the safe-guarding of assets against loss from unauthorized use or disposition; and
2. the reliability of financial records for preparing financial statements and maintaining accountability for assets and obligations.

The concept of reasonable assurance recognizes that:

1. the cost of a control should not exceed the benefits likely to be derived; and
2. the evaluation of costs and benefits requires estimates and judgments by management.

We believe that the Government's internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

In accordance with Georgia law, budget control is maintained at the department level within the individual fund. Purchase orders are pre-audited as to budget availability. A computerized purchasing system establishes an encumbrance against the budget at the time the purchase order is issued. The purchase order is then released to the vendor. Unencumbered appropriations supported by general operating revenues lapse at year-end. Appropriations of grant-supported operations and capital projects are carried forward to the succeeding fiscal year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Consolidated Government for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the twenty-second consecutive year the Consolidated Government received this award.

The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Consolidated Government was awarded the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2011. This was the twentieth consecutive year the Consolidated Government received this award. The Distinguished Budget Presentation Award is the highest form of recognition in governmental budgeting. In order to receive the award, a government must publish a budget document that meets program criteria as a policy document, financial plan, operations guide, and as a communications device.

Both the Certificate of Achievement and the Distinguished Budget Award are valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The presentation of the financial statements and receipt of an unqualified auditor's opinion is the result of commitment and dedication of many Consolidated Government employees. Special recognition goes to Jody Davis, Accounting Manager, for her expertise and tireless commitment in completing the financial statements. Through Ms. Davis's leadership and collaboration, the team that works on the audit exemplifies "Quality People Providing Quality Service".

I would also like to express appreciation to Albright Fortenberry & Ninas LLP, our external auditors, for their contribution by way of technical guidance and for the firm's dedication to the highest professional standards of governmental accounting.

Finally, I want to recognize the leadership of the Mayor, Members of Council, and the City Manager. Their guidance of the Consolidated Government's fiscal affairs continues to serve this community well.

Respectfully submitted,



Pamela J. Hodge
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Consolidated Government of Columbus, Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

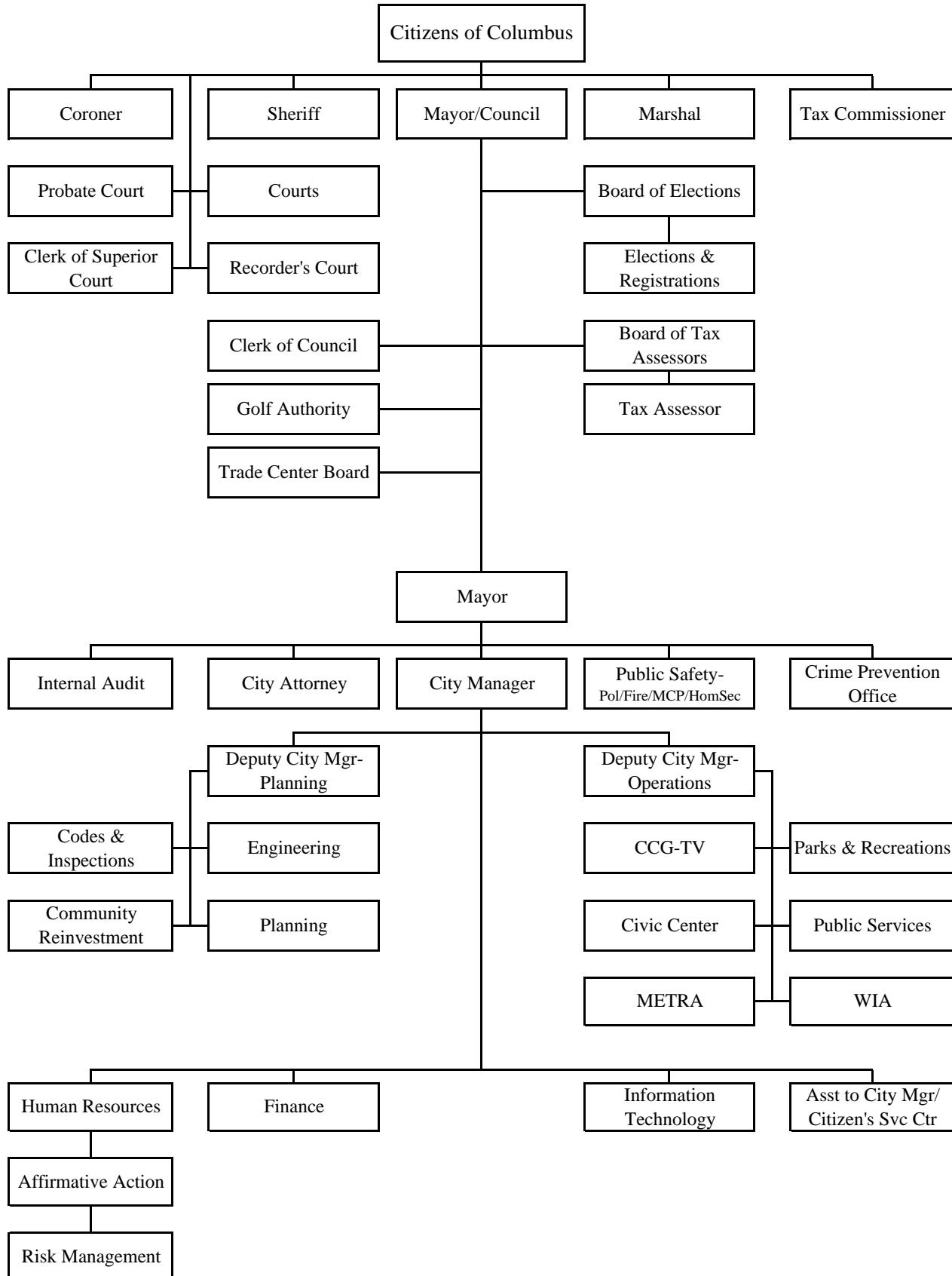
President

Jeffrey P. Emer

Executive Director

Consolidated Government of Columbus, Georgia

Organization Chart



**CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
MAYOR AND COUNCIL MEMBERS**

Mayor	Teresa Pike Tomlinson
District One	Jerry “Pops” Barnes
District Two	Glenn Davis
District Three	Bruce Huff
District Four	Evelyn Turner-Pugh
District Five	Mike Baker
District Six	R. Gary Allen
District Seven	Evelyn “Mimi” Woodson
District Eight	C. E. “Red” McDaniel
District Nine “At-Large”	Judy Thomas
District Ten “At-Large”	Berry “Skip” Henderson

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA



City Manager Isaiah Hugley

DEPARTMENT OF FINANCE

Finance Director Pamela J. Hodge

Assistant Finance Director Vacant

Accounting Manager Jody L. Davis

Purchasing Manager Andrea J. McCorvey

Revenue Manager Nancy L. Moore

FINANCIAL SECTION

- Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Non-Major Governmental Funds
- Combining and Individual Fund Statements and Schedules

Albright, Fortenberry & Ninas, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GEORGIA AND ALABAMA SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Berry, CPA
Phillip F. Bowden, CPA
John C. Fortenberry, CPA
Stephen E. Hodges, CPA
Larry L. Young, CPA

Retired:
James E. Albright
H. Russell Ninas, II

Stacey L. Barefield, CPA
A. J. Bowden, CPA
Virginia A. Mann, CPA
Stan H. Montgomery, CPA
Cynthia L. Phillips, CMA
Melanie L. Powell, CPA
Benjamin D. Rulon, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Consolidated Government of Columbus, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Consolidated Government of Columbus, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consolidated Government of Columbus' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Airport Commission of Columbus, Columbus Water Works, the Hospital Authority of Columbus, and the Columbus Convention and Visitors Bureau which represent 99 percent and 84 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport Commission of Columbus, Columbus Water Works, the Hospital Authority of Columbus, and the Columbus Convention and Visitors Bureau is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Consolidated Government of Columbus, Georgia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Medical Center Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2012 on our consideration of the Consolidated Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress on pages 3 through 15 and pages 78, 79, and 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consolidated Government of Columbus' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules listed in the table of contents, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Albright, Fortenberry & Nizas, LLP

Columbus, Georgia
December 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Columbus Consolidated Government's Comprehensive Annual Financial Report presents our discussion and analysis of the Consolidated Government's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Consolidated Government's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Consolidated Government exceeded its liabilities at the close of the most recent fiscal year by \$537.0 million. Of this amount, \$17.4 million may be used to meet the Consolidated Government's ongoing obligations to citizens and creditors.
- The Consolidated Government's total net assets decreased by \$32.3 million, primarily due to increases in the net other post-employment benefits obligation and increases in health care claims.
- As of the close of the current fiscal year, the Consolidated Government's governmental funds reported combined ending fund balances of \$192.4 million, a decrease of \$32.8 million in comparison to the prior year. This decrease is primarily due to an increase in capital project expenditures. Approximately 21% of the combined fund balances, \$40.2 million is considered unassigned and is available for spending at the Consolidated Government's discretion.
- The Consolidated Government's outstanding debt decreased by \$3.3 million during the current fiscal year. This decrease is the result of the payment of debt and no new debt issuances during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the Consolidated Government:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Consolidated Government's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Consolidated Government's operations in *more detail* than the government-wide statements.

The *Governmental Funds* statements tell how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending. The Columbus Consolidated Government has five Governmental Fund types: the General, Special Revenue, Debt Service, Capital Projects and Permanent Funds.

Proprietary fund statements offer *short- and long-term* financial information about the activities the government operates *in a similar manner as businesses*, and include the Transportation, Parking Management, Civic Center, and Integrated Waste Management funds.

Fiduciary fund statements provide information about the financial relationships--like the retirement plan for the Consolidated Government's employees—in which the Consolidated Government acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong. The Consolidated

Government Fiduciary funds consist of eight Agency Funds and one Pension Trust Fund and The Retiree Health Care Fund.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the Consolidated Government's financial statements, including the portion of the Consolidated Government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Columbus Consolidated Government's Government-wide and Fund Financial Statements

Fund Statements				
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Integrated Waste, METRA, parking, and the Civic Center	Where the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial Statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Consolidated Government as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Consolidated Government's net assets and how they have changed. Net assets—the difference between the Consolidated Government's assets and liabilities—is one way to measure the Consolidated Government's financial health, or *position*.

- Over time, increases or decreases in the Columbus Consolidated Government's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Columbus Consolidated Government, the reader should consider additional nonfinancial factors such as changes in the Columbus Consolidated Government's property tax base.
- *Governmental activities*—Most of the Columbus Consolidated Government's basic services are included here, such as the police, fire, public works, parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities*—The Columbus Consolidated Government charges fees to customers to help it cover the costs of certain services it provides. The Columbus Consolidated Government's garbage pickup, transportation, Civic Center and parking facilities are included here.
- *Component units*—Component Units are legally separate entities that meet any one of the following criteria: (1) The primary government appoints the voting majority of the board of the potential component unit, and is able to impose its will on the component unit and/or is in a relationship of financial benefit or burden with the potential component unit, (2) The potential component unit is fiscally dependent upon the primary government, or (3) The financial statements would be misleading if data from the potential component unit were not included. The Columbus Consolidated Government includes these component units in its report—the Columbus Iron Works Convention and Trade Center Authority, Columbus Golf Authority, Columbus Convention and Visitors Bureau, Columbus Water Works, Columbus Airport Commission, the Hospital Authority of Columbus, and the Columbus Department of Public Health. Separate financial statements are issued for the Columbus Water Works, Columbus Airport Commission, Hospital Authority of Columbus, Columbus Department of Public Health and the Columbus Convention and Visitors Bureau.

Fund Financial Statements

The fund financial statements provide more detailed information about the Columbus Consolidated Government's most significant *funds*—not the City as a whole. The “fund” level is where the basic unit of financial organization and operation within the Consolidated Government exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Columbus Consolidated Government has three kinds of funds:

- **Governmental funds**—most of the Consolidated Government's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Consolidated Government's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The Columbus Consolidated Government utilizes five types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Permanent Funds.
- **Proprietary funds**—Services for which the Consolidated Government charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. Two types of proprietary funds exist: enterprise funds and internal service funds. The Consolidated Government's *enterprise funds* are the same as its business-type activities yet provide more detail and additional information, such as cash flows. *Internal service funds* are used to report activities that provide supplies and services for the Consolidated Government's other programs and activities. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows are all required statements.
- **Fiduciary funds**—The Columbus Consolidated Government is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The Consolidated Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Columbus Consolidated Government's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Columbus Consolidated Government's government-wide financial statements because the Consolidated Government cannot use these assets to finance its operations. The Pension Trust Fund and the Retiree Healthcare Funds are maintained on the accrual basis of accounting, with measurement focus upon determination of financial position. The Pension Trust Fund and the Retiree Health Care Fund financial statements include a Statement of Plan Net Assets and a Statement of Changes in Plan Net Assets as required by GASB Statement No. 25.

Since Agency Funds are custodial in nature, the only required financial statements are the Balance Sheet and Statement of Changes in Assets and Liabilities. The measurement focus of Agency Funds is upon determination of financial position. Agency Funds are maintained on the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE COLUMBUS CONSOLIDATED GOVERNMENT AS A WHOLE

Net assets. The Columbus Consolidated Government's *combined* net assets decreased from \$569.3 million at June 30, 2011 to \$537.0 million at June 30, 2012. (See table A-1.) Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge.

Table A-1
Columbus Consolidated Government's Net Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
Current and other assets	\$251.4	\$220.6	\$15.4	\$16.6	\$266.8	\$237.2	-11.1%
Capital Assets	456.2	467.5	46.8	43.7	503.0	511.2	1.6%
Total Assets	707.6	688.1	62.2	60.3	769.8	748.4	-2.8%
Long-term liabilities	163.4	165.3	8.7	10.7	172.1	176.0	2.3%
Other liabilities	27.5	34.8	0.9	0.6	28.4	35.4	24.6%
Total Liabilities	190.9	200.1	9.6	11.3	200.5	211.4	5.4%
Net assets							
Invested in capital assets, net of related debt	401.7	398.3	46.8	43.7	448.5	442.0	-1.4%
Restricted	91.5	74.1	5.9	3.5	97.4	77.6	-20.3%
Unrestricted	23.5	15.6	(0.1)	1.8	23.4	17.4	-25.6%
Total Net Assets	\$516.7	\$488.0	\$52.6	\$49.0	\$569.3	\$537.0	-5.7%

Net assets of the Consolidated Government's governmental activities decreased to \$488.0 million. However, much of those net assets either are restricted as to the purposes for which they can be used, or are invested in capital assets (buildings, roads, and such). Consequently, *unrestricted* net assets showed a \$15.6 million surplus at the end of this year. This surplus does not mean that the Consolidated Government has resources available beyond its long term commitments. Rather, it is the result of having currently available resources that are greater than *long-term* commitments.

In addition, the surplus declined during the current year due to increases in capital spending, increases in the other post-employment benefits obligation and increases in health care costs.

Although the net assets of our business-type activities decreased by .07 percent to \$49.0 million, these resources cannot be used to add to the net asset surplus in governmental activities. The Consolidated Government generally can only use these net assets to finance the continuing operations of the business-type activities.

Changes in net assets. The Columbus Consolidated Government's total revenues increased by 8.0 percent to \$276.7 million. (See Table A-2.) Approximately 34.3 percent of the Consolidated Government's revenue comes from property taxes, with 72.4 percent of all revenue coming from some type of tax.

Another 18.7 percent comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

The total cost of all programs and services was increased by 6.3 percent. The City's expenses cover a range of services, with about 39.7 percent of the total related to public safety. (See Figure A-2.)

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Governmental Activities

Revenues for the Columbus Consolidated Government's governmental activities increased 12.7 percent to \$256.1 million, while expenses increased .06 percent to \$282.6 million. Revenues increased in the areas of charges for services, sales taxes, and property taxes.

Expenses increased from the prior year due to the increase in the sales tax on retail sales, which has allowed increased expenditures for Public Safety and infrastructure. As this is the Columbus Consolidated Government's tenth year of reporting under the requirements of Governmental Accounting Standards Board Statement No. 34, the effect of the changes in reporting methods from one year to the next has been eliminated.

Property taxes increased significantly in FY12 due to the completion of the sales tax rollback requirement of the 1% Other Local Option Sales Tax. The government is continuing to pursue other sources of revenue to mitigate the effect of increasing costs of necessary expenditure items such as healthcare and retirement.

Table A-2
Changes in Columbus Consolidated Government's Net Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
Revenues							
Program Revenues							
Charges for services	\$ 35.4	\$ 36.4	\$ 15.0	\$ 15.3	\$ 50.4	\$ 51.7	2.6%
Operating Grants & Contributions	11.6	11.2	0.2	0.2	11.8	11.4	-3.4%
Capital Grants & Contributions	12.0	10.0	10.5	1.1	22.5	11.1	-50.7%
General Revenues							
Property Taxes	61.4	91.4	2.9	3.5	64.3	94.9	47.6%
Sales Taxes	68.7	72.3	0.0	0.0	68.7	72.3	5.2%
Other taxes	34.3	33.2	0.0	0.0	34.3	33.2	-3.2%
Grants & Contributions Not Restricted to Specific Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Investment Earnings	3.9	1.6	0.3	0.5	4.2	2.1	-50.0%
Total Revenues	227.3	256.1	28.9	20.6	256.2	276.7	8.0%
Expenses							
General Government	38.1	57.6	0.0	0.0	38.1	57.6	51.2%
Public Safety	111.3	122.7	0.0	0.0	111.3	122.7	10.2%
Public Works	65.6	48.0	0.0	0.0	65.6	48.0	-26.8%
Health and Welfare	16.2	17.1	0.0	0.0	16.2	17.1	5.6%
Culture and Recreation	16.9	20.8	0.0	0.0	16.9	20.8	23.1%
Housing and Development	7.3	6.8	0.0	0.0	7.3	6.8	-6.8%
Economic Opportunity	2.9	2.1	0.0	0.0	2.9	2.1	-27.6%
Interest on long-term debt	7.3	7.5	0.0	0.0	7.3	7.5	2.7%
Integrated Waste	0.0	0.0	10.7	11.9	10.7	11.9	11.2%
Parking Management	0.0	0.0	0.5	0.5	0.5	0.5	0.0%
Transportation	0.0	0.0	6.9	6.7	6.9	6.7	-2.9%
Civic Center	0.0	0.0	6.9	7.3	6.9	7.3	5.8%
Total Expenses	265.6	282.6	25.0	26.4	290.6	309.0	6.3%
Excess (deficiency) before transfers	(38.3)	(26.5)	3.9	(5.8)	(34.4)	(32.3)	-6.1%
Transfers	(1.2)	(2.2)	1.2	2.2	0.0	0.0	0.0%
Increase (Decrease) in Net Assets	(\$39.5)	(\$28.7)	\$ 5.1	(\$3.6)	(\$34.4)	(\$32.3)	-6.1%
Net assets, ending	\$516.7	\$488.0	\$ 52.6	\$ 49.0	\$569.3	\$537.0	-5.7%

Table A-3 presents the cost of each of the Columbus Consolidated Government's five largest programs, as well as each program's *net cost* (total cost less fees generated by activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

- The cost of all *governmental* activities this year was \$282.7 million.
- However, the amount that taxpayers paid for these activities through city taxes (property taxes and sales taxes) was only \$163.7 million. Some of the cost was paid by:
 - Those who benefited directly from the programs (\$36.4 million)
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$11.2 million).
- The City paid for the \$163.7 million "public benefit" portion with \$196.9 million in taxes along with other revenues such as investment earnings of \$1.6 million.

Table A-3
Net Cost of Columbus Consolidated Government's Governmental Activities
(In millions of dollars)

<u>Dept/Function</u>	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2012	2011-2012	2011	2012	2011-2012
General Government	\$38.1	\$57.6	51.2%	\$20.0	\$36.0	80.0%
Public Safety	111.3	122.7	10.2%	99.3	110.9	11.7%
Public Works	65.6	48.0	-26.8%	47.8	33.8	-29.3%
Health and Welfare	16.2	17.1	5.6%	16.2	16.7	3.1%
Culture and Recreation	16.9	20.8	23.1%	14.0	18.0	28.6%
Other	17.5	16.5	-5.7%	9.3	9.7	4.3%
Total	\$265.6	\$282.7	6.4%	\$206.6	\$225.1	9.0%

Business-type Activities

The cost of all Proprietary (Business Type) activities this year was \$26.4 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by the users of the systems was \$15.3 million, operating grants and contributions were \$0.2 million and capital grants and contributions were \$1.1 million. Capital contributions decreased significantly due to the completion of the Ice Rink.

Total revenues available during the year to finance Proprietary Fund (Business Type) Activities were \$20.6 million consisting of program revenues of \$17.1 million and general revenues of \$3.5 million. Total Proprietary Fund (Business Type) expenses during the year were \$26.4 million; thus, Net Assets was decreased by \$3.6 million to \$49.0 million.

FINANCIAL ANALYSIS OF THE CONSOLIDATED GOVERNMENT'S FUNDS

As noted earlier, the Consolidated Government uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the Consolidated Government's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Consolidated Government's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The Consolidated Government's governmental funds reported combined ending fund balances of \$192.4 million as of the end of the current fiscal year, which was \$32.8 million less than last year's balance. Approximately 20.9% of this total amount \$40.2 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed 1) to pay for on-going capital projects \$115.2, 2) to pay debt service \$4.2, 3) for a variety of other restricted purposes \$26.7.

The General Fund is the chief operating fund of the Consolidated Government. At the end of the current fiscal year, unassigned fund balance of the general fund was \$46,519,805, while total fund balance reached \$53,323,020. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.7 percent of total general fund expenditures, while total fund balance represents 31.7 percent.

The fund balance of the Consolidated Government's general fund increased by \$2.2 million during the current fiscal year. The key factor in this increase was the return of property tax revenues to historical levels after the completion of the sales tax rollback requirement of the 1% Other Local Option Sales Tax and the increase in Public Safety expenditures due to the additional 1% Other Local Option Sales Tax.

The Medical Center Fund has a total fund balance of \$(6.3) million which is a result of a contractual obligation to pay the Medical Center 3 mills of taxes on an annual basis for indigent care. This deficit has been growing over the course of the contract due to a contractual commitment to remit 3 mills of tax without regard to collection.

The 1999 Sales Tax Projects Fund has a total fund balance of \$38.7 million, a decrease of \$11.8 million from the previous year. This decrease is attributable to the completion of the Special Local Option Sales Tax collections and payment of on-going projects.

The Columbus Building Authority Taxable Build America Bonds, 2010B has a total fund balance of \$56.5 million, which is attributable to the unspent proceeds of the Series 2010B bonds.

Proprietary funds. The Consolidated Government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Integrated Waste Management Fund at the end of the year amounted to \$1.7 million an increase of \$2.7 million from the previous year. This deficit became a surplus due to a reduction in the amount that was restricted for a project. Unrestricted net assets for the Civic Center Fund amounted to \$(1.6) million, an increase of \$0.4 million from the previous year. The increase in the deficit unrestricted net assets in the Civic Center fund is attributable to an operating loss for the year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Consolidated Government's business-type activities.

General Fund Budgetary Highlights

Comparing the FY2012 original budget (or adopted) General Fund amount of \$181.9 million to the final budget amount of \$193.4 million shows a net increase of \$11.5 million. This figure includes \$1,887,946 of purchase orders committed prior to June 30.

Differences between the original budget and the final amended budget were mainly the result of the Mid Year Budget Amendment, purchase orders committed prior to June 30 and adjustments made at year-end. Increases in appropriations are summarized as follows:

General Government -- Adjustments within the function are consistent with purchase orders committed prior to June 30, the Mid Year Budget Amendment, and year-end adjustments.

Public Safety -- Adjustments within the function are consistent with purchase orders committed prior to June 30, the Mid Year Budget Amendment, and year-end adjustments.

Public Works -- Adjustments within this functional area are consistent with purchase orders committed prior to June 30, the Mid Year Budget Amendment, and year-end adjustments.

Culture and Recreation -- Adjustments within this functional area are consistent with purchase orders committed prior to June 30, the Mid Year Budget Amendment, and year-end adjustments.

Housing and Urban Development -- Adjustments in this functional area are consistent with purchase orders committed prior to June 30, the Mid Year Budget Amendment, and year-end adjustments.

Miscellaneous -- Adjustments within this area are consistent with purchase orders committed prior to June 30, the Mid Year Budget Amendment, and year-end adjustments.

The net increase in the General Fund budget was funded by additional Local Option Sales Tax and fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the Columbus Consolidated Government had invested \$511.2 million in a broad range of capital assets, including police and fire equipment, buildings, parks facilities and roads, and bridges. (See Table A-4.) This amount represents a net increase (including additions and deletions) of \$8.2 million, or 1.6 percent, over last year.

Table A-4
Columbus Consolidated Government's Capital Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
							2011-2012
Land	\$ 145.9	\$ 148.0	\$ 1.5	\$ 1.5	\$ 147.4	\$ 149.5	1.4%
Easements	4.4	4.4	-	-	4.4	4.4	0.0%
Buildings and Improvements	144.7	153.6	48.6	48.6	193.3	202.2	4.6%
Machinery and Equipment	73.2	77.7	28.7	28.1	101.9	105.8	3.8%
Infrastructure	372.9	377.9	-	-	372.9	377.9	1.3%
Computer Software	0.5	0.8	-	-	0.5	0.8	60.0%
Construction in Progress	57.4	67.2	-	-	57.4	67.2	17.1%
Accumulated Depreciation	(342.8)	(362.1)	(32.0)	(34.5)	(374.8)	(396.6)	5.8%
Total	\$ 456.2	\$ 467.5	\$ 46.8	\$ 43.7	\$ 503.0	\$ 511.2	1.6%

This year's major capital asset additions and deletions included:

- Increases in land are mainly the result of right of way purchases in the amount of \$.5 million, donations in the amount of \$1.6 million.
- Purchase of public safety vehicles and equipment in the amount of \$2.9 million and heavy duty equipment in the amount of \$1.0 million.
- Construction in Progress increased due to the on-going construction of the City Service Center, Natatorium and Parking Garage.
- Infrastructure increased 5.0 million due to donated road additions and completion of a new road project.
- Buildings increased due to the completion of the Bike Trail and Ft. Benning Gateway project.
- Easements and Computer Software are recorded as intangible assets as required by Government Accounting Standards Board Statement No. 51.

More detailed information about the Columbus Consolidated Government's capital assets is presented in Note E to the financial statements.

Long-term Debt

At year-end, the City had \$141.3 million in bonds and notes outstanding—a decrease of \$3.3 million over last year—as shown in Table A-5. This decrease is due to payment of existing debt and no new debt issuances during the current year. More detailed information about the Columbus Consolidated Government's long-term liabilities is presented in Note J to the financial statements.

Table A-5
Columbus Consolidated Government's Outstanding Debt
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
	\$ 140.1	\$ 137.5	\$ -	\$ -	\$ 140.1	\$ 137.5	-1.9%
Revenue Bonds and Premiums	4.5	3.8	-	-	4.5	3.8	-15.6%
Total	\$ 144.6	\$ 141.3	\$ -	\$ -	\$ 144.6	\$ 141.3	-2.3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key assumptions for revenue forecasts for fiscal year 2013 are summarized as follows:

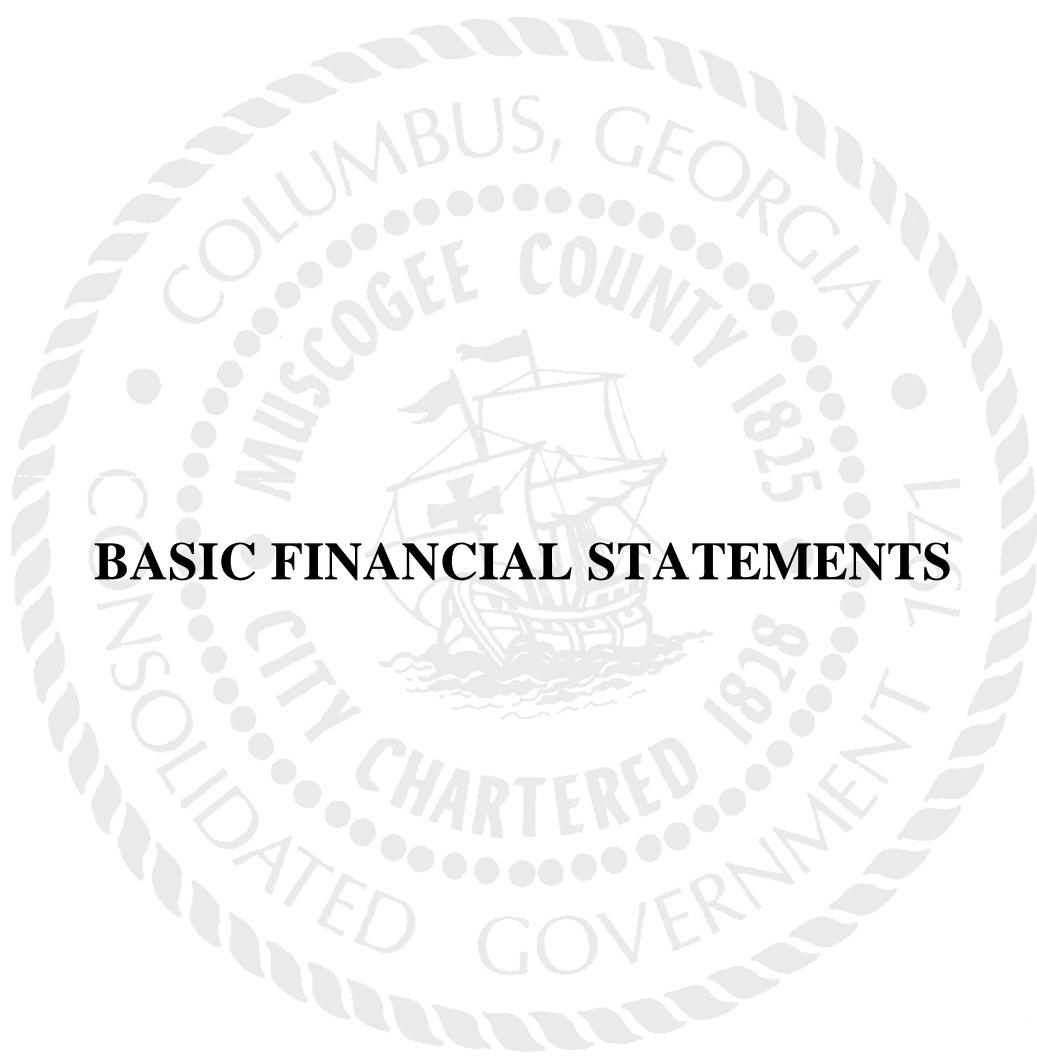
1. Property tax revenues will increase by 5.6% based on the estimated growth of assessed valuation and general growth with a 96% collections for Ad Valorem Taxes.
2. Population growth of Columbus increased by 1.9% from 186,291 in 2000 to 189,885 (2010 Census). The original BRAC (Base Realignment and Closure) estimates of 28,000 new people to the area came in slightly lower with an increase of 22,000 to the local population.
3. Employment totals based on October 2012 reached a total of 120,200 in Columbus. Based on recent announcements, this will grow as new jobs are created. It is anticipated that growth in the next few years will outweigh downsizing.
4. Unemployment rates based on September 2012 stood at 8.7% for the city compared to 7.8% for the national rate. This will remain high for the next fiscal year. This is based on the Bureau of Labor Statistics data.

This contributed to the following projections for the Next Year's budget:

1. Charges for Services are expected to increase by 1.18% from the final FY2012 budget.
2. Sales and Use Taxes are projected to increase by 8.01% from the final FY2012 budget.
3. Business licenses, fees and permits are estimated to increase by 13.18% from the final FY2012 budget.
4. Fines, forfeitures, and court fees are estimated to increase by 3.42% from the final FY2012 budget.
5. Millage rates will remain the same for FY2013.

**CONTACTING THE COLUMBUS CONSOLIDATED GOVERNMENT'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Columbus Consolidated Government's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Columbus Consolidated Government Finance Department, P.O. Box 1340, Columbus, Georgia 31902-1340 or visit our website at www.columbusga.org.



BASIC FINANCIAL STATEMENTS

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA

Statement of Net Assets

June 30, 2012

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Columbus Water Works	Hospital Authority of Columbus	Non-Major Governmental Component Units	Non-Major Business-type Component Units
Assets:							
Current Assets:							
Cash	\$ 23,258,481	\$ 1,341,524	\$ 24,600,005	\$ 9,188,795	\$ 4,728,315	\$ 2,707,736	\$ 620,825
Restricted Cash	219,289	-	219,289	22,021,956	-	-	743,711
Investments	158,286,748	14,809,865	173,096,613	26,572,442	6,897,095	-	2,288,177
Restricted Investment	-	-	-	28,976,695	-	-	1,123,969
Receivables:							
Taxes	12,242,184	207,045	12,449,229	-	-	-	68,246
Accounts	4,922,679	814,952	5,737,631	10,659,017	3,677,355	697,791	509,080
Interest	1,806,809	65,969	1,872,778	-	-	-	5,250
Notes	5,738,861	-	5,738,861	-	-	-	-
Other	521,847	23,633	545,480	-	21,548	-	-
Internal Balances	1,274,804	(1,274,804)	-	-	-	-	-
Due from Other Governments	5,865,606	366,230	6,231,836	-	-	585,858	-
Due from Primary Government	-	-	-	-	-	-	56,802
Due from Component Units	3,027,905	-	3,027,905	-	-	-	-
Other assets	-	-	-	-	18,116	-	15,330
Prepaid Items	44,584	90	44,674	-	182,763	47,627	-
Inventory of Supplies	317,790	205,128	522,918	797,187	-	98,134	67,665
TOTAL CURRENT ASSETS	217,527,587	16,559,632	234,087,219	98,216,092	15,525,192	4,137,146	5,499,055
Noncurrent Assets:							
Capital Assets:							
Land	148,010,085	1,505,062	149,515,147	2,553,149	1,026,018	-	5,792,017
Easements	4,432,387	-	4,432,387	-	-	-	1,154,842
Intangible	-	-	-	-	3,000,000	-	-
Leasehold Improvements	-	-	-	-	-	280,513	-
Plant, Building, and Improvements	153,615,806	48,637,974	202,253,780	120,370,871	6,747,168	-	77,657,123
Machinery and Equipment	77,690,858	28,132,458	105,823,316	19,891,199	4,877,943	1,970,397	3,746,911
Infrastructure	377,918,434	-	377,918,434	496,263,808	-	-	-
Computer Software	750,065	-	750,065	-	-	-	-
Development Plans	-	-	-	-	-	-	1,796,122
Construction in Progress	67,219,405	-	67,219,405	115,606,119	1,304,650	-	448,330
Accumulated Depreciation	(362,099,893)	(34,575,987)	(396,675,880)	(239,074,207)	(10,724,609)	(2,072,586)	(46,332,595)
Bond Issue Costs	1,746,160	-	1,746,160	3,293,337	-	-	39,748
Net Pension Obligation	1,265,090	78,806	1,343,896	-	-	-	-
TOTAL NONCURRENT ASSETS	470,548,397	43,778,313	514,326,710	518,904,276	6,231,170	178,324	44,302,498
TOTAL ASSETS	688,075,984	60,337,945	748,413,929	617,120,368	21,756,362	4,315,470	49,801,553

The notes to the financial statements are an integral part of this statement.

(Continued)

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA

Statement of Net Assets

June 30, 2012

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Columbus Water Works	Hospital Authority of Columbus	Non-Major Governmental Component Units	Non-Major Business-type Component Units
Liabilities:							
Current Liabilities:							
Accounts Payable	\$ 12,877,567	\$ 296,886	\$ 13,174,453	\$ 5,433,648	\$ 793,600	\$ 544,877	\$ 291,087
Retainage Payable	1,786,407	-	1,786,407	-	-	-	-
Accrued Liabilities	64,058	4,911	68,969	339,483	778,955	56,825	220,667
Health Care Claims Payable	4,456,762	-	4,456,762	-	-	-	-
Interest Payable	-	-	-	1,118,847	-	-	12,100
Customer Deposits	-	-	-	142,529	-	-	-
Unearned Revenue	1,770,084	27,271	1,797,355	-	-	-	-
Closure and Postclosure Costs, current portion	-	62,578	62,578	-	-	-	-
Compensated Absences, current portion	3,582,606	216,903	3,799,509	515,328	-	407,472	54,684
Claims Payable, current portion	850,000	-	850,000	-	-	-	-
Workers Compensation Claims Payable, current portion	4,252,714	-	4,252,714	-	-	-	-
Due to Fiduciary Funds	133,942	24,962	158,904	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	3,027,905
Due to Component Units	56,802	-	56,802	-	-	-	-
Notes, Bonds and Premiums Payable, current portion	4,939,618	-	4,939,618	10,635,828	-	-	1,111,624
TOTAL CURRENT LIABILITIES	34,770,560	633,511	35,404,071	18,185,663	1,572,555	1,009,174	4,718,067
Noncurrent Liabilities:							
Closure and Postclosure Costs,							
less current portion	-	8,354,110	8,354,110	-	-	-	-
EPD Mandated Liability	-	318,155	318,155	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	1,186,091
Net Other Postemployment Benefits Obligation	20,718,663	1,807,123	22,525,786	3,488,000	-	-	316,246
Compensated Absences, less current portion	3,995,134	254,681	4,249,815	255,914	-	722,864	68,391
Claims Payable, less current portion	430,000	-	430,000	-	-	-	-
Workers Compensation Claims Payable, less current portion	3,821,401	-	3,821,401	-	-	-	-
Notes, Bonds and Premiums Payable, less current portion	136,334,609	-	136,334,609	201,156,295	-	-	4,824,969
TOTAL NONCURRENT LIABILITIES	165,299,807	10,734,069	176,033,876	204,900,209	-	722,864	6,395,697
TOTAL LIABILITIES	200,070,367	11,367,580	211,437,947	223,085,872	1,572,555	1,732,038	11,113,764
Net Assets:							
Invested in Capital Assets, Net of Related Debt	398,346,684	43,699,507	442,046,191	330,758,829	6,231,170	-	38,337,119
Restricted for:							
Capital Projects	54,972,958	-	54,972,958	17,946,993	-	178,324	-
Debt Service	4,171,401	-	4,171,401	4,990,398	-	-	-
Other Purposes	-	-	-	-	-	-	1,867,680
Public Safety Programs	3,943,267	-	3,943,267	-	-	-	-
Non-Expendable	6,307,436	-	6,307,436	-	-	-	-
Urban Development and Housing	2,665,798	-	2,665,798	-	-	-	-
General Government Programs	1,997,780	-	1,997,780	-	-	-	-
Operations	-	3,474,828	3,474,828	-	-	700,411	-
Unrestricted	15,600,293	1,796,030	17,396,323	40,338,276	13,952,637	1,704,697	(1,517,010)
TOTAL NET ASSETS	\$ 488,005,617	\$ 48,970,365	\$ 536,975,982	\$ 394,034,496	\$ 20,183,807	\$ 2,583,432	\$ 38,687,789

The notes to the financial statements are an integral part of this statement.

(Concluded)

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Activities and Changes in Net Assets
For Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government:						
Governmental Activities:						
General Government	\$ 57,640,514	\$ 16,602,400	\$ 3,243,002	\$ 1,762,069	\$ 21,607,471	
Public Safety	122,689,392	11,317,730	317,779	169,882	11,805,391	
Public Works	48,032,740	5,876,227	282,452	8,084,416	14,243,095	
Culture and Recreation	20,795,294	2,570,974	233,471	-	2,804,445	
Health and Welfare	17,083,137	-	366,158	-	366,158	
Housing and Development	6,829,170	-	4,477,571	-	4,477,571	
Economic Opportunity	2,138,109	-	2,263,162	-	2,263,162	
Interest on Long-Term Debt	7,460,790	-	-	-	-	
TOTAL GOVERNMENTAL ACTIVITIES	282,669,146	36,367,331	11,183,595	10,016,367	57,567,293	
Business-Type Activities:						
Integrated Waste	11,932,554	9,846,672	-	-	9,846,672	
Parking Management	513,472	229,835	-	-	229,835	
Transportation	6,725,540	1,085,686	227,520	953,515	2,266,721	
Civic Center	7,243,445	4,131,494	-	92,931	4,224,425	
TOTAL BUSINESS-TYPE ACTIVITIES	26,415,011	15,293,687	227,520	1,046,446	16,567,653	
TOTAL PRIMARY GOVERNMENT	\$ 309,084,157	\$ 51,661,018	\$ 11,411,115	\$ 11,062,813	\$ 74,134,946	
Component Units:						
Columbus Water Works	\$ 55,331,848	\$ 58,362,957	\$ -	\$ 4,868,656	\$ -	
Hospital Authority of Columbus	17,759,922	20,925,447	-	-	-	
Non-major Governmental Component Units	16,801,299	3,113,444	11,214,296	-	-	
Non-major Business-type Component Units	11,916,094	9,775,810	774,451	-	-	
TOTAL COMPONENT UNITS	\$ 101,809,163	\$ 92,177,658	\$ 11,988,747	\$ 4,868,656	\$ -	

The notes to the financial statements are an integral part of this statement.

General Revenues:

Property Taxes
Sales Taxes
Hotel/Motel Taxes
Alcoholic Beverage Taxes
Business Taxes
Investment Earnings
Transfers

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING

NET ASSETS - ENDING

(Continued)

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Activities and Changes in Net Assets
For Fiscal Year Ended June 30, 2012

Net (Expense) Revenue and Changes in Net Assets			Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Columbus Water Works	Hospital Authority of Columbus	Non-Major Governmental Component Units	Non-Major Business-type Component Units
\$ (36,033,043)	\$ -	\$ (36,033,043)	\$ -	\$ -	\$ -	\$ -
(110,884,001)	-	(110,884,001)	-	-	-	-
(33,789,645)	-	(33,789,645)	-	-	-	-
(17,990,849)	-	(17,990,849)	-	-	-	-
(16,716,979)	-	(16,716,979)	-	-	-	-
(2,351,599)	-	(2,351,599)	-	-	-	-
125,053	-	125,053	-	-	-	-
(7,460,790)	-	(7,460,790)	-	-	-	-
<u>(225,101,853)</u>	<u>-</u>	<u>(225,101,853)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(2,085,882)	(2,085,882)	-	-	-	-
-	(283,637)	(283,637)	-	-	-	-
-	(4,458,819)	(4,458,819)	-	-	-	-
-	(3,019,020)	(3,019,020)	-	-	-	-
-	(9,847,358)	(9,847,358)	-	-	-	-
<u>\$ (225,101,853)</u>	<u>\$ (9,847,358)</u>	<u>\$ (234,949,211)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 7,899,765	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3,165,525	-	-
-	-	-	-	-	(2,473,559)	-
-	-	-	-	-	-	(1,365,833)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,899,765</u>	<u>\$ 3,165,525</u>	<u>\$ (2,473,559)</u>	<u>\$ (1,365,833)</u>	
\$ 91,423,536	\$ 3,548,982	\$ 94,972,518	\$ -	\$ -	\$ -	\$ -
72,283,336	-	72,283,336	-	-	-	-
5,033,445	-	5,033,445	-	-	2,516,722	-
3,198,751	-	3,198,751	-	-	-	762,580
25,016,648	-	25,016,648	-	-	-	-
1,608,665	514,514	2,123,179	164,561	23,711	778	35,428
(2,184,214)	2,184,214	-	-	-	-	-
<u>196,380,167</u>	<u>6,247,710</u>	<u>202,627,877</u>	<u>164,561</u>	<u>23,711</u>	<u>2,517,500</u>	<u>798,008</u>
(28,721,686)	(3,599,648)	(32,321,334)	8,064,326	3,189,236	43,941	(567,825)
<u>516,727,303</u>	<u>52,570,013</u>	<u>569,297,316</u>	<u>385,970,170</u>	<u>16,994,571</u>	<u>2,539,491</u>	<u>39,255,614</u>
<u>\$ 488,005,617</u>	<u>\$ 48,970,365</u>	<u>\$ 536,975,982</u>	<u>\$ 394,034,496</u>	<u>\$ 20,183,807</u>	<u>\$ 2,583,432</u>	<u>\$ 38,687,789</u>

The notes to the financial statements are an integral part of this statement.

(Concluded)

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Medical Center Fund	1999 Sales Tax Projects Fund	Columbus Building Authority Tax Build 2010B	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash	\$ 4,038,014	\$ -	\$ 5,244,622	\$ 2,056,146	\$ 10,760,434	\$ 22,099,216
Restricted Cash	-	-	-	-	219,289	219,289
Investments	29,101,689	-	36,185,504	57,436,418	31,842,531	154,566,142
Receivables:						
Taxes	10,885,591	1,085,910	-	-	2,366,719	14,338,220
Accounts	4,450,298	-	-	-	472,381	4,922,679
Interest	1,258,557	-	215,626	-	323,261	1,797,444
Notes	-	-	-	-	5,738,861	5,738,861
Other	-	-	-	-	442,747	442,747
Due from Other Funds	7,928,437	-	-	-	-	7,928,437
Due from Other Governments	314,872	-	-	-	5,550,734	5,865,606
Due from Component Units	3,014,621	-	-	-	-	3,014,621
Inventory of Supplies	317,790	-	-	-	-	317,790
Prepaid Items	44,584	-	-	-	-	44,584
TOTAL ASSETS	\$ 61,354,453	\$ 1,085,910	\$ 41,645,752	\$ 59,492,564	\$ 57,716,957	\$ 221,295,636
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	\$ 4,368,695	\$ 762,881	\$ 2,598,967	\$ 2,074,981	\$ 2,496,305	\$ 12,301,829
Retainage Payable	-	-	311,942	902,000	572,465	1,786,407
Accrued Liabilities	56,375	-	-	-	7,683	64,058
Deferred Revenues	3,504,042	992,605	-	-	3,365,725	7,862,372
Due to Other Funds	-	5,623,584	-	-	1,054,696	6,678,280
Due to Component Units	-	-	-	-	56,802	56,802
Due to Fiduciary Funds	102,321	-	-	-	31,621	133,942
TOTAL LIABILITIES	8,031,433	7,379,070	2,910,909	2,976,981	7,585,297	28,883,690
Fund Balances:						
Nonspendable for:						
Prepads	44,584	-	-	-	-	44,584
Non-current Loans Receivable	-	-	-	-	5,762,338	5,762,338
Perpetual Care	-	-	-	-	500,514	500,514
Restricted for:						
General Government	49,233	-	-	-	299,580	348,813
Housing	-	-	-	-	2,665,798	2,665,798
Public Safety	-	-	-	-	3,004,109	3,004,109
Capital Projects - Roads/Drainage/Facilities	-	-	38,734,843	56,515,583	11,819,035	107,069,461
Committed for:						
Roads and Drainage	-	-	-	-	11,878,926	11,878,926
Public Safety	363,264	-	-	-	575,894	939,158
Capital Projects - Roads/Drainage/Facilities	-	-	-	-	8,108,335	8,108,335
Debt Service	-	-	-	-	4,171,401	4,171,401
Perpetual Care	-	-	-	-	1,352,010	1,352,010
Other Projects	296,957	-	-	-	-	296,957
Assigned for:						
Housing	98,553	-	-	-	-	98,553
Public Safety	728,131	-	-	-	-	728,131
Other Projects	2,187,493	-	-	-	-	2,187,493
Claims and Judgements	3,035,000	-	-	-	-	3,035,000
Unassigned	46,519,805	(6,293,160)	-	-	(6,280)	40,220,365
TOTAL FUND BALANCES	53,323,020	(6,293,160)	38,734,843	56,515,583	50,131,660	192,411,946
TOTAL LIABILITIES AND FUND BALANCES	\$ 61,354,453	\$ 1,085,910	\$ 41,645,752	\$ 59,492,564	\$ 57,716,957	\$ 221,295,636

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
June 30, 2012

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 192,411,946

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

The net pension obligation resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 1,265,090

The net other postemployment benefits obligation resulting from contributions below the annual required contribution are not financial resources and therefore are not reported in the Governmental Funds Balance Sheet. (20,718,663)

Unamortized bond costs are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 1,746,160

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 467,537,147

Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end. 6,092,288

Allowance for doubtful accounts for property taxes receivable are not current financial resources and therefore not reported in the Governmental Funds Balance Sheet. (2,096,036)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and risk management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets. (2,152,590)

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

This amount represents bonds and notes payable and unamortized premiums (141,274,227)

This amount represents compensated absences (7,577,740)

This amount represents claims payable (1,280,000)

This amount represents workers compensation claims payable (5,947,758)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 488,005,617

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Fiscal Year Ended June 30, 2012

	General Fund	Medical Center Fund	1999 Sales Tax Projects Fund	Columbus Building Authority Tax Build 2010B	Other Governmental Funds	Total Governmental Funds
Revenues:						
General Property Taxes	\$ 51,937,884	\$ 13,081,382	\$ -	\$ -	\$ 25,191,712	\$ 90,210,978
Sales and Use Taxes	75,408,479	-	-	-	5,107,053	80,515,532
Other Taxes	24,373,973	-	-	-	642,675	25,016,648
Licenses and Permits	2,712,462	-	-	-	-	2,712,462
Intergovernmental Revenues	347,251	-	-	-	18,814,225	19,161,476
Charges for Services	18,256,454	-	-	-	3,243,492	21,499,946
Interest Revenues	712,402	-	1,642,819	77,012	753,313	3,185,546
Fines and Forfeitures	5,475,387	-	-	-	778,335	6,253,722
Sales and Rentals	640,748	-	-	-	112,063	752,811
Private Contributions	-	-	-	-	23,043	23,043
Miscellaneous Revenues	698,569	-	1,354	-	2,908,592	3,608,515
TOTAL REVENUES	180,563,609	13,081,382	1,644,173	77,012	57,574,503	252,940,679
Expenditures:						
Current:						
General Government	36,347,369	-	-	-	980,933	37,328,302
Public Safety	104,660,827	-	-	-	3,944,366	108,605,193
Public Works	12,223,006	-	-	-	17,942,826	30,165,832
Culture and Recreation	10,781,101	-	-	-	3,945,488	14,726,589
Health and Welfare	2,157,515	13,623,009	-	-	1,302,613	17,083,137
Urban Development and Housing	1,829,396	-	-	-	4,888,015	6,717,411
Economic Opportunity	-	-	-	-	2,263,909	2,263,909
Capital Projects	-	-	13,508,691	12,387,224	26,096,684	51,992,599
Debt Service:						
Principal Retirement	-	-	-	-	3,421,524	3,421,524
Interest and Fiscal Charges	-	-	-	-	7,489,057	7,489,057
TOTAL EXPENDITURES	167,999,214	13,623,009	13,508,691	12,387,224	72,275,415	279,793,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,564,395	(541,627)	(11,864,518)	(12,310,212)	(14,700,912)	(26,852,874)
Other Financing Sources (Uses):						
Transfers In	2,185,000	600,000	81,598	-	12,555,050	15,421,648
Transfers Out	(12,562,174)	-	-	-	(8,783,688)	(21,345,862)
TOTAL OTHER FINANCING SOURCES (USES)	(10,377,174)	600,000	81,598	-	3,771,362	(5,924,214)
NET CHANGE IN FUND BALANCES	2,187,221	58,373	(11,782,920)	(12,310,212)	(10,929,550)	(32,777,088)
FUND BALANCES - BEGINNING	51,135,799	(6,351,533)	50,517,763	68,825,795	61,061,210	225,189,034
FUND BALANCES - ENDING	\$ 53,323,020	\$ (6,293,160)	\$ 38,734,843	\$ 56,515,583	\$ 50,131,660	\$ 192,411,946

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities and Changes in Net Assets
For Fiscal Year Ended June 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (32,777,088)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	35,338,650
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(23,999,601)
Because some property taxes will not be collected for several months after the Consolidated Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.	1,576,901
An allowance for doubtful accounts for property taxes is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources.	(364,343)
Long-term compensated absences, claims payable and workers compensation payables are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences \$(32,305), claims payable \$(800,000), Wilson Camp landfill closure \$(5,179,805) and Workers Compensation Claims \$1,127,955 are not reported as expenditures in Governmental Funds.	4,884,155
The amortization of pension assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources.	
This amount represents the net pension obligation	(1,133,719)
This amount represents the net postemployment benefits obligation	(11,270,857)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents long-term debt repayments	3,196,524
This amount represents amortization of Unamortized Issuance Costs	(84,162)
This amount represents amortization of Unamortized Premiums	112,429
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and risk management activities, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.	(4,200,575)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (28,721,686)

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
General Fund
For Fiscal Year Ended June 30, 2012

	Budget			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
General Property Taxes	\$ 50,198,077	\$ 50,198,077	\$ 51,937,884	\$ 1,739,807
Sales and Use Taxes	68,362,317	69,611,595	75,408,479	5,796,884
Other Taxes	24,849,522	24,849,522	24,373,973	(475,549)
Licenses and Permits	2,227,570	2,227,570	2,712,462	484,892
Intergovernmental Revenues	337,659	337,659	347,251	9,592
Charges for Services	16,927,681	16,917,681	18,256,454	1,338,773
Interest Revenues	1,000,000	1,000,000	712,402	(287,598)
Fines and Forfeitures	4,555,500	4,555,500	5,475,387	919,887
Sales and Rentals	79,000	79,000	640,748	561,748
Miscellaneous	885,741	912,447	698,569	(213,878)
TOTAL REVENUES	169,423,067	170,689,051	180,563,609	9,874,558
Expenditures:				
General Government	35,667,581	37,525,095	36,481,746	(1,043,349)
Public Safety	102,580,633	109,186,692	104,072,446	(5,114,246)
Public Works	16,652,105	18,438,742	16,779,602	(1,659,140)
Culture and Recreation	10,555,350	10,844,958	10,840,041	(4,917)
Health and Welfare	2,209,438	2,157,518	2,157,515	(3)
Urban Development and Housing	1,891,945	2,152,845	2,089,802	(63,043)
TOTAL EXPENDITURES	169,557,052	180,305,850	172,421,152	(7,884,698)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,985)	(9,616,799)	8,142,457	17,759,256
Other Financing Sources (Uses):				
Transfers In	3,900,000	5,085,000	2,185,000	(2,900,000)
Transfers Out	(12,292,908)	(13,081,197)	(12,562,175)	(519,022)
TOTAL OTHER FINANCING SOURCES (USES)	(8,392,908)	(7,996,197)	(10,377,175)	(2,380,978)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(8,526,893)	(17,612,996)	(2,234,718)	15,378,278
FUND BALANCES - BEGINNING BUDGETARY BASIS	51,135,799	51,135,799	51,135,799	-
FUND BALANCES - ENDING BUDGETARY BASIS	\$ 42,608,906	\$ 33,522,803	48,901,081	\$ 15,378,278
Reconciliation to GAAP:				
Elimination of Effect of Encumbrances			4,421,939	
FUND BALANCES - ENDING GAAP BASIS	\$ 53,323,020			

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Medical Center Fund
For Fiscal Year Ended June 30, 2012

	Budget			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
General Property Taxes	\$ 12,287,862	\$ 12,287,862	\$ 13,081,382	\$ 793,520
TOTAL REVENUES	<u>12,287,862</u>	<u>12,287,862</u>	<u>13,081,382</u>	<u>793,520</u>
Expenditures:				
Public Welfare	12,887,862	13,623,010	13,623,009	(1)
TOTAL EXPENDITURES	<u>12,887,862</u>	<u>13,623,010</u>	<u>13,623,009</u>	<u>(1)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(600,000)	(1,335,148)	(541,627)	793,521
Other Financing Sources (Uses):				
Transfers In	600,000	600,000	600,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(735,148)	58,373	793,521
FUND BALANCES - BEGINNING BUDGETARY BASIS	(6,351,533)	(6,351,533)	(6,351,533)	-
FUND BALANCES - ENDING BUDGETARY BASIS	<u>\$ (6,351,533)</u>	<u>\$ (7,086,681)</u>	<u>(6,293,160)</u>	<u>\$ 793,521</u>
Reconciliation to GAAP:				
Elimination of Effect of Encumbrances				-
FUND BALANCES - ENDING GAAP BASIS			<u>\$ (6,293,160)</u>	

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
	Integrated Waste Management	Civic Center	Non-Major Enterprise Funds	Total		
Assets:						
Current Assets:						
Cash	\$ 1,078,481	\$ 2,600	\$ 260,443	\$ 1,341,524	\$ 1,159,265	
Investments	13,248,089	-	1,561,776	14,809,865	3,720,606	
Receivables:						
Taxes	-	-	207,045	207,045	-	
Accounts	803,911	-	11,041	814,952	-	
Interest	65,969	-	-	65,969	9,365	
Other	-	23,633	-	23,633	79,100	
Prepaid Items	90	-	-	90	-	
Due from Other Funds	-	113,603	-	113,603	24,647	
Due from Other Governments	-	-	366,230	366,230	-	
Due from Component Units	-	-	-	-	13,284	
Inventory of Supplies	-	-	205,128	205,128	-	
TOTAL CURRENT ASSETS	15,196,540	139,836	2,611,663	17,948,039	5,006,267	
Noncurrent Assets:						
Capital Assets:						
Land	1,265,193	-	239,869	1,505,062	-	
Plant, Building, and Improvements	-	39,160,305	9,477,669	48,637,974	-	
Machinery and Equipment	12,054,999	3,139,720	12,937,739	28,132,458	-	
Accumulated Depreciation	(8,945,766)	(14,613,871)	(11,016,350)	(34,575,987)	-	
Net Pension Obligation	40,583	9,333	28,890	78,806	-	
TOTAL NONCURRENT ASSETS	4,415,009	27,695,487	11,667,817	43,778,313	-	
TOTAL ASSETS	19,611,549	27,835,323	14,279,480	61,726,352	5,006,267	
Liabilities:						
Current Liabilities:						
Accounts Payable	99,036	125,942	71,908	296,886	575,738	
Accrued Liabilities	2,823	-	2,088	4,911	-	
Claims	-	-	-	-	6,583,119	
Compensated Absences current portion	70,178	31,106	115,619	216,903	-	
Closure and Postclosure Costs current portion	62,578	-	-	62,578	-	
Deferred Revenue	20,468	6,803	-	27,271	-	
Due to Other Funds	-	1,367,792	20,615	1,388,407	-	
Due to Fiduciary Funds	13,722	2,766	8,474	24,962	-	
TOTAL CURRENT LIABILITIES	268,805	1,534,409	218,704	2,021,918	7,158,857	
Noncurrent Liabilities:						
Closure and Postclosure Costs						
less current portion	8,354,110	-	-	8,354,110	-	
EPD Mandated Liability	318,155	-	-	318,155	-	
Net Other Postemployment Benefits Obligation	966,811	207,819	632,493	1,807,123	-	
Compensated Absences less current portion	167,178	35,935	51,568	254,681	-	
TOTAL NONCURRENT LIABILITIES	9,806,254	243,754	684,061	10,734,069	-	
TOTAL LIABILITIES	10,075,059	1,778,163	902,765	12,755,987	7,158,857	
Net Assets:						
Invested in Capital Assets	4,374,426	27,686,154	11,638,927	43,699,507	-	
Restricted for:						
Operations	3,432,979	1,200	40,649	3,474,828	-	
Unrestricted	1,729,085	(1,630,194)	1,697,139	1,796,030	(2,152,590)	
TOTAL NET ASSETS	\$ 9,536,490	\$ 26,057,160	\$ 13,376,715	\$ 48,970,365	\$ (2,152,590)	

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For Fiscal Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Integrated Waste Management	Civic Center	Non-Major Enterprise Funds	Total	
Operating Revenues:					
Operations	\$ 9,845,372	\$ 3,864,386	\$ 1,138,115	\$ 14,847,873	\$ -
Charges for Services	-	-	-	-	18,088,448
Fines and Forfeitures	-	-	174,755	174,755	-
Concessions	-	266,058	-	266,058	-
TOTAL OPERATING REVENUES	9,845,372	4,130,444	1,312,870	15,288,686	18,088,448
Operating Expenses:					
Cost of Sales and Services	11,036,490	5,950,343	5,888,747	22,875,580	-
Claims	-	-	-	-	24,973,289
Administrative Fees	-	-	-	-	1,121,672
Depreciation	896,064	1,293,102	1,350,265	3,539,431	-
TOTAL OPERATING EXPENSES	11,932,554	7,243,445	7,239,012	26,415,011	26,094,961
OPERATING INCOME (LOSS)	(2,087,182)	(3,113,001)	(5,926,142)	(11,126,325)	(8,006,513)
Non-Operating Revenues (Expenses):					
Taxes	-	-	3,548,982	3,548,982	-
Operating Subsidy From Other Governmental Units	-	-	227,520	227,520	-
Capital Subsidy from Other Governments	-	-	863,588	863,588	-
Earnings on Investments	511,956	-	2,558	514,514	65,938
Gain (Loss) on Disposal of Capital Assets	1,300	1,050	2,651	5,001	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	513,256	1,050	4,645,299	5,159,605	65,938
INCOME (LOSS) BEFORE TRANSFERS	(1,573,926)	(3,111,951)	(1,280,843)	(5,966,720)	(7,940,575)
Transfers In	1,176,433	1,258,361	-	2,434,794	3,740,000
Transfers Out	(146,234)	-	(104,346)	(250,580)	-
Capital Contributions	-	92,931	89,927	182,858	-
CHANGE IN NET ASSETS	(543,727)	(1,760,659)	(1,295,262)	(3,599,648)	(4,200,575)
NET ASSETS - BEGINNING	10,080,217	27,817,819	14,671,977	52,570,013	2,047,985
NET ASSETS - ENDING	\$ 9,536,490	\$ 26,057,160	\$ 13,376,715	\$ 48,970,365	\$ (2,152,590)

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Cash Flows
Proprietary Funds
For Fiscal Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
	Integrated Waste Management	Civic Center	Non-Major Enterprise Funds	Total		
Cash Flow from Operating Activities:						
Cash Received from Customers and Users	\$ 9,788,134	\$ 4,161,753	\$ 1,462,013	\$ 15,411,900	\$ 18,063,563	
Cash Payments to Suppliers	(6,250,165)	(4,090,235)	(3,004,230)	(13,344,630)	(21,629,518)	
Cash Payments to Employees	(3,512,236)	(1,330,929)	(2,549,700)	(7,392,865)		-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>25,733</u>	<u>(1,259,411)</u>	<u>(4,091,917)</u>	<u>(5,325,595)</u>		<u>(3,565,955)</u>
Cash Flows from Noncapital Financing Activities:						
Taxes	-	-	3,548,982	3,548,982		-
Transfers Out	(146,234)	-	(104,346)	(250,580)	-	
Transfers In	1,176,433	1,258,361	-	2,434,794	3,740,000	
Subsidy from Other Governmental Units	-	-	1,091,108	1,091,108		-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,030,199</u>	<u>1,258,361</u>	<u>4,535,744</u>	<u>6,824,304</u>		<u>3,740,000</u>
Cash Flows from Capital and Related Financing Activities:						
Purchases of Capital Assets	-	-	(237,053)	(237,053)		-
Proceeds from sale of Capital Assets	1,300	1,050	11,370	13,720	-	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,300</u>	<u>1,050</u>	<u>(225,683)</u>	<u>(223,333)</u>		-
Cash Flows from Investing Activities:						
Purchase of Investments	(529,195)	-	(92,209)	(621,404)		-
Sale of Investments	81,028	-	71,699	152,727	178,519	
Interest and Dividends Received	415,999	-	2,805	418,804	98,332	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(32,168)</u>	<u>-</u>	<u>(17,705)</u>	<u>(49,873)</u>		<u>276,851</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,025,064	-	200,439	1,225,503	450,896	
CASH AND CASH EQUIVALENTS - BEGINNING	<u>53,417</u>	<u>2,600</u>	<u>60,004</u>	<u>116,021</u>	<u>708,369</u>	
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,078,481</u></u>	<u><u>\$ 2,600</u></u>	<u><u>\$ 260,443</u></u>	<u><u>\$ 1,341,524</u></u>	<u><u>\$ 1,159,265</u></u>	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (2,087,182)	\$ (3,113,001)	\$ (5,926,142)	\$ (11,126,325)	\$ (8,006,513)	
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	896,064	1,293,102	1,350,265	3,539,431		-
(Increase) Decrease in Accounts Receivable	(31,663)	991	(2,580)	(33,252)	(24,885)	
(Increase) Decrease in Other Current Assets	(90)	23,650	143,222	166,782	2,375,230	
(Increase) Decrease in Pension Obligation	598,223	6,372	27,220	631,815		-
Increase (Decrease) in Closure Costs	572,140	-	-	572,140		-
Increase (Decrease) in Accounts Payable	(69,041)	(30,874)	(39,971)	(139,886)	2,090,213	
Increase (Decrease) in Accrued Liabilities	8,646	4,022	(12,120)	548		-
Increase (Decrease) in Deferred Revenue	(25,575)	6,803	-	(18,772)		-
Increase (Decrease) in Other Current Liabilities	(153,944)	420,540	13,695	280,291		-
Increase (Decrease) in OPEB Obligation	318,155	128,984	354,494	801,633		-
TOTAL ADJUSTMENTS	<u>2,112,915</u>	<u>1,853,590</u>	<u>1,834,225</u>	<u>5,800,730</u>	<u>4,440,558</u>	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 25,733</u></u>	<u><u>\$ (1,259,411)</u></u>	<u><u>\$ (4,091,917)</u></u>	<u><u>\$ (5,325,595)</u></u>	<u><u>\$ (3,565,955)</u></u>	
Noncash Activities:						
Capital Assets Contributed	\$ -	\$ 92,931	\$ 89,927	\$ 182,858	\$ -	

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Pension Trust Funds	Agency Funds
Assets:		
Cash	\$ 5,350,159	\$ 9,268,974
Investments, at Fair Value:		
US Government Obligations	39,378,502	-
Mortgages	3,604,713	-
Corporate Bonds	38,271,209	-
Common Stocks	172,574,797	-
Preferred Stocks	1,078,224	-
Short Term Investments	7,863,888	-
Total Investments	<u>262,771,333</u>	<u>-</u>
Receivables:		
Taxes	-	17,599,574
Interest	814,771	-
Other	5,280	152,917
Due from Other Funds	<u>158,904</u>	<u>-</u>
Total Receivables	<u>978,955</u>	<u>17,752,491</u>
TOTAL ASSETS	<u>269,100,447</u>	<u>27,021,465</u>
Liabilities:		
Accounts Payable	430,574	-
Due to Other Governments and Agencies	<u>-</u>	<u>27,021,465</u>
TOTAL LIABILITIES	<u>430,574</u>	<u>\$ 27,021,465</u>
Net Assets:		
Held in Trust for		
Pension Benefits	267,428,884	-
Other Post Employment Benefits	<u>1,240,989</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 268,669,873</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

CONSOLIDATED GOVERNMENT OF COLUMBUS, GEORGIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For Fiscal Year Ended June 30, 2012

	Pension Trust Funds
Additions:	
Contributions	
Employer	\$ 26,696,246
Plan Member	1,867,935
Total Contributions	<u>28,564,181</u>
Investment Income:	
Interest and Dividends	6,717,777
Investment Fees	(1,228,893)
Net Appreciation in Fair Value of Investments	<u>(2,483,932)</u>
Total Investment Income	<u>3,004,952</u>
Miscellaneous	<u>1,228</u>
TOTAL ADDITIONS	<u>31,570,361</u>
Deductions:	
Benefits	22,496,420
Administrative Fees	104,074
Contractual Services	<u>36,691</u>
TOTAL DEDUCTIONS	<u>22,637,185</u>
CHANGE IN NET ASSETS	8,933,176
NET ASSETS - BEGINNING	<u>259,736,697</u>
NET ASSETS - ENDING	<u>\$ 268,669,873</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Consolidated Government of Columbus, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

I. Reporting Entity

Columbus is a political subdivision of the State of Georgia created by virtue of a Constitutional Amendment authorizing the consolidation of the County of Muscogee with the City of Columbus. Commencing January 1, 1971, Columbus became a consolidated city-county government. The financial reporting entity has been determined by management in accordance with generally accepted accounting principles to be the primary government, organizations for which the primary government is financially accountable and organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the government for financial reporting purposes, management has considered all component units. The criteria used to determine financial accountability are the ability of the primary government to appoint a voting majority of the organization's governing body, and effectively impose its will on the organization. Also, if there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government, financial accountability would exist. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Included with the reporting entity as Blended Component Units:

Consolidated Government of Columbus, Georgia Public Employees Retirement System The Consolidated Government's employees participate in one of two Public Employee Retirement Systems (PERS). PERS functions for the benefit of these employees and is governed by a Board of Directors appointed by the Council of the Consolidated Government. The Consolidated Government of Columbus Georgia Public Employees Retirement System is presented as a pension trust fund.

Columbus Building Authority - The Authority was created by Article VII, Sec. VI, Pa. 1 of the Constitution of Ga. of 1945, as amended and ratified at the general election of November 5, 1968 (Ga. L. 1966, Pg. 946). The Authority provides a means to issue revenue certificates to acquire, construct, equip, maintain, and operate self-liquidating projects embracing buildings and facilities for use by the Consolidated Government of Columbus, Georgia. The Columbus Building Authority is presented as a governmental fund type.

The Consolidated Government has directly or indirectly guaranteed the Authority's debts.

The Authority is not exclusively responsible for its fiscal affairs.

The Authority's board is appointed by the Mayor and Council of the Consolidated Government.

The Consolidated Government has an equity interest in the Authority upon dissolution.

Included with the reporting entity as Discretely Presented Component Units:

Columbus Golf Authority - The Authority was created by Ordinance No. 82-29, adopted May 4, 1982 pursuant to Secs. 3-104(3) and 4-102(1) of the Columbus Charter. The name of the Authority was changed from Bull Creek Golf Authority to Columbus Golf Authority by Ordinance No. 97-35. The Authority provides recreation opportunities to the general public and is responsible for the operation of Bull Creek Golf Course and Oxbow Meadows Golf Course. The Columbus Golf Authority is presented as proprietary component units: Bull Creek Golf Course and Oxbow Meadows Golf Course due to the independent operation of each golf course. The following factors suggest that the Authority should be included in the reporting entity:

The Consolidated Government has directly or indirectly guaranteed the Authority's debts.

The Authority is not exclusively responsible for its fiscal affairs.

The Authority's board is appointed by the Council of the Consolidated Government and may be removed at any time.

The Authority is a subordinate branch of the Consolidated Government.

Columbus Iron Works Convention and Trade Center Authority - The Authority was created by Ordinance No. 83-79, adopted September 27, 1983 (Col. Code Sec. 2-121). The Authority supervises and operates the Columbus Iron Works Convention and Trade Center as a subordinate branch of the Consolidated Government. The Columbus Iron Works Convention and Trade Center is presented as a proprietary component unit. The following factors suggest that the Authority should be included in the reporting entity:

The Consolidated Government has directly or indirectly guarantied the Authority's debts.

The Consolidated Government is responsible for financing deficits and also is entitled to any excess of revenues over expenses generated by the Authority.

The Authority's board is appointed and serves at the pleasure of Council of the Consolidated Government.

The Authority is a subordinate branch of the Consolidated Government.

Columbus Convention and Visitors Bureau - The Bureau was established as a commission by Ordinance 80-51 adopted April 29, 1980 pursuant to the provisions of Act No. 1204, H.B. No. 1854. The Bureau was created to promote tourism, trade and conventions for the benefit of the community. The Columbus Convention and Visitors Bureau is presented as a governmental fund type component unit. The following factors suggest that the Bureau should be included in the reporting entity:

The Bureau's Commission members are appointed by the Mayor and Council of the Consolidated Government.

The Consolidated Government is responsible for any deficit and is entitled to the surplus revenue received or generated by the Bureau.

The annual budget must be presented to Council of the Consolidated Government for approval.

Hospital Authority of Columbus - The Authority was created by County Commission Resolution of November 14, 1967 pursuant to the Georgia Hospital Authorities Law, O.C.G.A., Section 31-7-72. The Authority was created to provide long-term health care for residents of Muscogee and surrounding counties. It operates the Muscogee Manor Nursing Home and Cobis Personal Care Home. The Hospital Authority of Columbus is presented as a proprietary component unit. The following factors suggest that the Authority should be included in the reporting entity:

The Council of the Consolidated Government may remove members for cause by six votes of the Council. Members are appointed by the Authority from nominations made by the Council of the Consolidated Government.

The Consolidated Government has contractually guarantied the debt of the Authority, in exchange for which the Authority has agreed to provide care to indigent and elderly residents of the Consolidated Government.

Columbus Airport Commission - The Commission was created by Constitutional Amendment, Article 5, Section 4, Ga. Laws 1968, Pg. 1655 for the purpose of administering the operations of the Columbus Metropolitan Airport. The Columbus Airport Commission is presented as a proprietary component unit. The following factors suggest that the Commission should be included in the reporting entity:

The Council of the Consolidated Government appoints members upon nomination by the Airport Commission and may remove members for cause by six votes of the Council.

The Consolidated Government has contractually guarantied to meet interest and principal payments on the 1988 Airport Improvement Revenue Bonds should the net revenues of the Commission be insufficient to service the debt.

*Consolidated Government of Columbus, Georgia
Notes to Financial Statements
June 30, 2012*

Columbus Water Works - The Board of Water Commissioners was created by Act No. 54 of the General Assembly of Georgia, approved December 3, 1902 (Ga. L. 1902, Page 370-377). The Board was created to administer the operations of the Columbus water and waste water treatment systems. The Columbus Water Works is presented as a proprietary component unit. The following factors suggest that the Board should be included in the reporting entity:

The Council of the Consolidated Government appoints members of the Water Commission and may remove members for cause by six votes of the Council.

The Consolidated Government has contractually agreed to be responsible for certain long term debt of the Columbus Water Works.

Columbus Department of Public Health - The Board of Health was created on October 5, 1971 by virtue of an Act of the General Assembly of Georgia, approved March 27, 1941 (Ga.L. 1941, p.937) as amended. The Board was created to administer the operations of the Columbus Department of Public Health. This entity is presented as a governmental fund type component unit. The Georgia Department of Audits, Local Government Audit Section, has ruled that county boards of health should be considered component units of the county government for financial reporting purposes. The following factors support the ruling that the Columbus Department of Public Health be included in the reporting entity:

The Council of the Consolidated Government appoints members of the Board of Health; the Mayor and City Manager are also Board members by virtue of office.

The Consolidated Government provides funding annually in an amount sufficient to equal the required local match funds as designated by the Georgia Department of Public Health.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

*Consolidated Government of Columbus, Georgia
Public Employees Retirement System
Office of the Finance Director
100 Tenth Street
Columbus, Georgia 31902*

*Columbus Building Authority
Columbus Consolidated Government
Office of the Finance Director
100 Tenth Street
Columbus, Georgia 31902*

*Columbus Golf Authority
Columbus Consolidated Government
Office of the Finance Director
100 Tenth Street
Columbus, Georgia 31902*

*Hospital Authority of Columbus
3800 Schatulga Road
Columbus, Georgia 31907*

*Columbus Convention & Visitors Bureau
1000 Bay Avenue
Columbus, Georgia 31901*

*Columbus Department of Public Health
2100 Comer Avenue
Columbus, Georgia 31902-2299*

*Columbus Iron Works Convention & Trade Center
Columbus Consolidated Government
Office of the Finance Director
100 Tenth Street
Columbus, Georgia 31902*

*Columbus Airport Commission
3250 West Britt David Road
Columbus, Georgia 31909-5399*

Related Organizations

The Georgia Department of Audits and Accounts has determined that Housing Authorities should be reported as related organizations. The Mayor of the Consolidated Government appoints the members of the Board of the Housing Authority of Columbus. The Development

Authority of Columbus, Georgia provides incentives and other support, as well as the development of property for the economic benefit of the Consolidated Government and the surrounding area. The Council of the Consolidated Government appoints the members of the Authority. The Consolidated Government's accountability for these organizations does not extend beyond making appointments.

Joint Venture

Under Georgia law, the Columbus Consolidated Government is a member of the River Valley Regional Commission and is required to pay dues thereto. The River Valley Regional Commission is located in Columbus and currently serves a total of sixteen counties. During the year ended June 30, 2012 the Columbus Consolidated Government paid \$189,885 in dues to the River Valley Regional Commission. Membership in the Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of a Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

River Valley Regional Commission
1428 Second Avenue
Columbus, GA 31902

II. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

III. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Consolidated Government's government wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the Consolidated Government. Fiduciary activities of the Consolidated Government are not included in these statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The agency funds financial statements are reported using no measurement focus. Accordingly, all the Consolidated Government's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Consolidated Government are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs

requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Under the terms of grant agreements, the Consolidated Government funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Consolidated Government's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the Consolidated Government's internal service funds are charges to customers for sales and services provided. Operating expenses for the enterprise funds and internal service funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with Statement of Accounting Standards No. 20, Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Consolidated Government has elected to apply Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements are inconsistent with GASB pronouncements, FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB).

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements and Permanent funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines are not susceptible to accrual because generally they are not measurable until received in cash. The Consolidated Government considers taxes as available in the period for which they were levied if they are collected within 60 days after year-end. A ninety (90) day availability period is used for revenue recognition for all other governmental fund revenues.

The Consolidated Government reports the following major governmental funds:

General Fund – is the principal fund of the Consolidated Government and is used to account for and report all financial resources of the Consolidated Government not accounted for and reported in another fund.

Medical Center Fund – to account for funding provided for indigent hospital care for the residents of Columbus.

1999 Sales Tax Project Fund – to account for projects supported by the 1999 Sales Tax Proceeds Account Fund including road projects and acquisition, construction and equipping of various capital projects.

Columbus Building Authority Capital Improvement Lease Revenue Bonds (Taxable—Build America Bonds—Direct Payment) Series 2010B – to account for proceeds of the 2010B taxable Build America Bonds for construction of Fire/EMS stations, City Service Center and Parking Garage, Natatorium Swimming facility, Recycling/Sustainability Center, road construction and storm water enhancements.

The Consolidated Government reports the following major proprietary funds:

Integrated Waste Management Fund – to account for the costs of providing refuse collection and disposal services to the community.

Civic Center Fund – to account for the operation of the South Commons Civic Center.

Additionally the Consolidated Government reports the following fund types:

Internal Service Funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis. The Consolidated Government has two internal service funds.

The Employee Health Insurance Fund is used to account for the self-funded employee health insurance program.

The Risk Management Fund is used to account for vehicle accident and workers' compensation claim management and related costs.

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement either a pension trust fund, private purpose trust fund or permanent fund is used. The Consolidated Government utilizes the following fiduciary funds:

The Pension Trust Funds are used to account for activities related to the public employee retirement systems. The Consolidated Government maintains a Pension and Benefit Trust Fund, an irrevocable trust fund, which accounts for the assets and activities of the Consolidated Government's pension, major disability and death benefit.

The Retiree Healthcare Fund is used to account for the retiree health insurance program to include medical and dental insurance benefits to eligible retirees and their spouses.

Agency Funds are used to account for assets held by the Consolidated Government as an agent for individuals, private organizations, other governments, and the Consolidated Government departments. The Consolidated Government maintains the following Agency Funds:

Clerk of Superior Court
Clerk of Municipal Court
Probate Court
Adult Probation
Sheriff
Tax Commissioner
Law Library
Magistrate Court

Component Units: Governmental component units are accounted for on a current financial resources measurement focus and use the modified accrual basis of accounting. Under this method, revenues are recognized in the period in which they become to measurable and available to finance expenditures of the current period. Business Type component units are accounted for on a flow of economic resources measurement focus basis and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets

Annual appropriated budgets are adopted for all funds receiving ad valorem taxes, namely, General Fund, Transportation Fund, Sewer Fund, Paving Fund, Medical Center Fund, and the Debt Service Fund as required by the Charter of the Consolidated Government. Annual appropriated budgets are also adopted for the Emergency Telephone Fund, Hotel/Motel Tax Fund, County Drug Abuse Treatment Fund, Urban Development Action Grant, Economic Development – Development Authority Fund, Metro Drug Task Force Fund, Penalty Assessment Fund, Police Forfeiture Fund, Sheriff's Forfeiture Fund, Family Connection Fund and the 1999 Sales Tax Proceeds Account Fund as required by State Law. Annual budgets are adopted for the Community Development Block Grant Fund, Job Training Partnership Program, Multi-Governmental Project Fund, Economic Development Program and Home Program Fund. Annual budgets are also adopted for the Consolidated Government's Capital Projects Funds – Columbus Building Authority's Taxable Lease Revenue Bonds - Series 1999C and 2003B; Columbus Building Authority's Lease Revenue Bonds, Series 2003A and 2010A; Columbus Building Authority's Taxable Build America Bonds – Series 2101B and Taxable Recovery Zone Economic Development Bonds – Series 2010C; and 1999 Sales Tax Projects Fund. An annual budget is also adopted for the Special Projects Fund that contains projects funded by the Consolidated Government's General, Sewer and Paving Funds contingent upon the Consolidated Government's ability to appropriate funds to the projects for the current fiscal year. The HUD Section 108 Fund was completed during a prior fiscal year with no plans for spending during the current year. All annual appropriations lapse at fiscal year end.

Budgets are adopted on a basis consistent with generally accepted accounting principles except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation--is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored through subsequent years' budget appropriations.

Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity of three months or less. Statutes authorize the Consolidated Government to invest in U. S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U. S. Government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds. The Pension and Benefit Trust Fund is also authorized to invest in corporate bonds, domestic common stocks, equity real estate, and international common stocks directly or through pooled investment accounts.

Investments are stated at fair value based on published quoted market prices. The fair values of investments in external investment pools are the same as the value of the pool shares.

Inventories

The General and Transportation System Funds utilize a perpetual inventory system where materials and supplies are charged to inventory when acquired and charged to various departments when consumed, the consumption method.

Proprietary fund inventories are valued at the lower of cost (weighted average and specific identification methods) or market. Governmental fund inventories are valued at cost using the first-in, first-out (FIFO) method.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items based on the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Consolidated Government's policy has set the capitalization threshold for reporting capital assets at \$5,000, \$50,000 for intangible assets and \$250,000 for infrastructure assets. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Donations of roads by developers that exceeded the capitalization threshold for infrastructure assets during the current year are recorded as infrastructure. The Consolidated Government patched and resurfaced several roads during the current year that are considered general maintenance. The Consolidated Government reports only infrastructure acquired or constructed after June 30, 1980 in accordance with GASB Statement 34. The Consolidated Government reports intangible assets acquired after June 30, 1980 in accordance with GASB Statement 51.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Compensated Absences

It is the policy of the Consolidated Government to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Consolidated Government does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

The Consolidated Government has implemented GASB Statement No. 54 during the current year. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Consolidated Government is bound to honor constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Indirect Cost Allocations

The Consolidated Government utilizes a Cost Allocation Plan prepared in conformance with OMB Circular-A87, which governs the payment of overhead (or "indirect") costs from federal grants.

NOTE B - LEGAL COMPLIANCE-BUDGETS

The Consolidated Government follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to May 1, the Mayor submits to Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public notice of budget and tax proposals is provided in conformance with Georgia law.
- (3) Public hearings are conducted to obtain taxpayer comments.
- (4) Prior to July 1, the budget is formally adopted by Council.
- (5) All budget transfers must be approved by the Finance Director or Council depending on the type of expenditure:

Budget Transfer

Approval Required

- a. Among any accounts within a department. Finance Director
- b. Changing the total appropriation of any department. Council

Expenditures for operations and maintenance are classified as materials and supplies and contractual services within the financial statements.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual budget is the department.

Adopted budgets are combined into the Consolidated Government's accounting system as a management control device. Formal budgets are adopted for the General Fund, Debt Service Fund, Sewer Fund, Paving Fund, Medical Center Fund, Transportation Fund, Emergency Telephone Fund, Hotel/Motel Tax Fund, County Drug Abuse Treatment Fund, Urban Development Action Grant, Economic Development – Development Authority Fund, Metro Drug Task Force Fund, Penalty Assessment Fund, Police Forfeiture Fund, Sheriff's Forfeiture Fund, Family Connection Fund, 1999 Sales Tax Proceeds Account Fund, Special Projects Fund, Columbus Building Authority Taxable Lease Revenue Bonds - Series 1999C and Series 2003B, Columbus Building Authority Lease Revenue Bonds, Series 2003A and 2010A; Columbus Building Authority's Taxable Build America Bonds – Series 2010B and Taxable Recovery Zone Economic Development Bonds – Series 2010C; and the 1999 Sales Tax Projects Fund. Annual budgets are adopted for the Community Development Block Grant, Job Training Partnership Program, Multi-Governmental Project Fund, Economic Development Program and the Home Program Fund. Budgets for the General, Debt Service, Special Revenue and Capital Projects Funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase.

Actual GAAP expenditures have been adjusted to the non-GAAP budgetary basis for budgetary comparison within this report. Because there were no encumbrances outstanding at the end of the year in the Debt Service Fund, the budget for this fund is presented on a GAAP basis.

Budgeted amounts are as originally adopted, or as amended, by Council. Material amendments included amounts for ARRA stimulus grants. Unencumbered appropriations lapse at year-end.

The major difference between the budget basis and GAAP is that encumbrances are recognized as expenditures for budgetary purposes.

Individual fund budgetary comparison schedules are presented for the General, Special Revenue and Debt Service Funds at the legal level of control. Due to the length of the presentation, General Fund budgetary comparisons at the legal level of control are presented in a supplemental budget report on pages 85-87.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Consolidated Government's deposits may not be returned or the Consolidated Government will not be able to recover collateral securities in the possession of an outside party. The Consolidated Government's policy requires deposits in excess of the Federal Deposit Insurance Corporation (FDIC) to be 110 percent secured by collateral valued at market or par, whichever is lower. Collateral agreements must be approved prior to deposit of funds as provided by law. The city council approves and designates the authorized depository institution based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the City Finance Director.

As of June 30, 2012 the Consolidated Government's bank balance was \$44,486,107. Of that balance, \$41,045,197 was exposed to custodial credit risk and is categorized as follows:

Collateralized by securities held by the Pledging financial institution	<u>\$37,992,306</u>
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Collateralized by securities held by the pledging financial Institution's trust department or agent but not in the Consolidated Government's name	<u>\$ 3,052,891</u>
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Investments:

As of June 30, 2012, the Consolidated Government had the following investments:

Investment Type	Fair Value	Cost	Average Credit Quality	Weighted Average Maturity (Years) (2)
Primary Government				
Georgia Fund One	\$ 87,913,057	\$ 87,913,057	AAAm	0.11
Mortgage Backed Securities (1)	41,098,244	41,189,746	AAA	0.64
U.S. Government Agencies	12,693,644	12,891,482	N/A	0.39
Municipal Bonds	19,643,951	19,570,279	AAA	0.72
Certificates of Deposit	<u>11,747,717</u>	<u>11,747,717</u>	AAA	0.15
	<u><u>\$ 173,096,613</u></u>	<u><u>\$ 173,312,281</u></u>		
Fiduciary Funds				
Common Stocks	\$ 172,574,797	\$ 160,868,624	N/A	N/A
Preferred Stocks	1,078,224	1,062,500	N/A	N/A
Corporate Bonds	38,271,209	35,337,697	BBB	0.48
U.S. Government Obligations	36,261,983	35,899,952	N/A	0.34
U.S. Government Agencies	3,116,519	3,231,330	N/A	0.03
Mortgage Backed Securities	3,604,713	3,624,672	AAA	1.14
Cash Funds	<u>7,863,888</u>	<u>7,863,888</u>	N/A	N/A
	<u><u>\$ 262,771,333</u></u>	<u><u>\$ 247,888,663</u></u>		

(1) These include investments highly sensitive to interest rate changes.
(2) **Interest Rate Risk** is estimated using weighted average years.

Investment Policies:

Primary Government

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Consolidated Government's policy to lessen this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which they will do business, and by diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that the market value of securities in the Consolidated Government's portfolio will fall due to changes in general interest rates. The Consolidated Government mitigates its risk to interest rate declines by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. In accordance with its investment policy, the Consolidated Government limits the average life in its investment portfolio to less than five years.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Consolidated Government's investment in a single issuer. To eliminate risk of loss from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all Consolidated Government funds shall be diversified by maturity, issuer, and class of security.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consolidated Government's investment policy requires that financial institutions and broker/dealers who provide investment services be pre-qualified based on several criteria prior to the commencement of services. All investments and collateral are held by a third party custodian with whom the Consolidated Government has a written custodian agreement. Securities held by the third party custodian are evidenced by safekeeping receipts.

External Investment Pool

Georgia Fund I, created by OCGA 36-83-8, is a stable net asset value investment pool that follows Standard and Poor's criteria for AAAm rated money market funds and is operated by the Office of State Treasurer. However, Georgia Fund I, operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value which equates to fair value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share. Under Georgia State law, the director of the Office of State Treasurer is responsible for control and safekeeping of instruments of title of the Georgia Fund I.

Fiduciary Funds

The Consolidated Government maintains a Pension and Benefit Trust Fund which accounts for the assets and activities of the Consolidated Government's pension, major disability, death benefit and other postemployment benefit plans. Investment policies provide for investment manager(s) who have full discretion of all assets allocated to them subject to the overall investment guidelines set out in the policies. Fund performance is evaluated quarterly by the Investment Manager who reports to the governing board. **Custodial Credit Risk** is addressed by contracting with a third party custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Pension Board.

Asset allocation guidelines for the Pension and Benefit Trust Fund are as follows:

Asset Class	Minimum	Maximum	Preferred
Equities	0%	55%	55%
Fixed Income	45%	100%	45%
Cash & Equivalents	0%	100%	5-10%

Interest Rate Risk is addressed by the investment policy requiring that weighted average portfolio maturity may not exceed 15 years.

Credit Risk and Concentration of Credit Risk are addressed by the investment policy allowing for certain risk parameters for various portfolio compositions. The Pension and Benefit Trust Fund contractually delegates portfolio managers based on these prescribed portfolio structures.

For fixed income investments, plan assets may be invested up to 15% in bonds rated BBB or better and commercial paper must be rated A1/P1 or better. No more than 50% of the portfolio may be invested in securities with maturities greater than 15 years. Securities of any one company should not exceed 10% of the total manager's portfolio and no more than 25% of each manager's portfolio should be in any one industry.

For equity investments, each portfolio manager's portfolio must contain a minimum of 15 issues with no single issue accounting for more than 5% of the total portfolio. The largest percentage of each portfolio should be in the larger capitalization companies (market capitalization greater than \$5 billion) with limited exposure to small capitalization companies (market capitalization between \$500 million and \$1 million). The sector weighting for each manager's portfolio shall be the manager's benchmark's weighting or 25% of the portfolio whichever is greater.

Component Units:

Columbus Water Works:

Cash and investments include bank balances and investments that at June 25, 2012 were entirely insured or collateralized by securities held by the Water Works agent in the Water Works name.

The Water Works cash and investments are summarized below.

Investment Type	Fair Value	Cost	Credit Quality Rating	Maturity Dates
Unrestricted investments:				
Certificates of Deposit	\$ 26,572,442	\$ 26,572,442	N/A	Various
Total unrestricted investments	26,572,442	26,572,442		
Restricted investments:				
Certificates of Deposit	7,806,978	7,806,978	N/A	Various
Federal Home Loan Bank Bonds	21,169,717	21,151,225	AAA	Various
Total restricted investments	28,976,695	28,958,203		
Total investments	\$ 55,549,137	\$ 55,530,645		

A reconciliation of cash and investments as shown on the balance sheet is summarized as follows:

	<u>2012</u>
Cash and cash equivalents	\$ 9,188,795
Cash and cash equivalents - restricted assets	<u>22,021,956</u>
Total Cash	<u>31,210,751</u>
Investments	26,572,442
Investments - restricted assets	<u>28,976,695</u>
	<u>55,549,137</u>
Total Cash and Investments	<u><u>\$ 86,759,888</u></u>

NOTE D - RECEIVABLES

Receivables as of June 30, 2012 for the Consolidated Government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	1999 CBA									
	General Fund	Medical Center Fund	Sales Tax Projects Fund	Tax Build			Civic Center Fund	Non Major Governmental & Other Funds	Non Major Business Type Funds	Total
				America Bonds 2010B	Integrated Waste Fund	2010B				
Taxes	\$ 10,885,591	\$ 1,085,910	\$ -	\$ -	\$ -	\$ -	- \$ 2,366,719	\$ 314,331	\$ 14,652,551	
Accrued Interest	1,258,557	-	215,626	-	65,969	-	- 573,609	-	-	2,113,761
Accounts	5,718,945	-	-	-	-	-	- 1,035,556	11,041	11,041	6,765,542
Landfill	-	-	-	-	805,825	-	-	-	-	805,825
Notes	-	-	-	-	-	-	- 5,762,338	-	-	5,762,338
Other	-	-	-	-	-	- 23,633	521,847	-	-	545,480
Gross Receivables	17,863,093	1,085,910	215,626	-	871,794	23,633	10,260,069	325,372	325,372	30,645,497
Less:										
Allowance for Uncollectibles	1,268,647	-	-	-	1,914	-	827,635	107,286	107,286	2,205,482
Net Total Receivables	<u>\$ 16,594,446</u>	<u>\$ 1,085,910</u>	<u>\$ 215,626</u>	<u>\$ -</u>	<u>\$ 869,880</u>	<u>\$ 23,633</u>	<u>\$ 9,432,434</u>	<u>\$ 218,086</u>	<u>\$ 218,086</u>	<u>\$ 28,440,015</u>

The Consolidated Government bills and collects its own property taxes and also bills and collects taxes for the Muscogee County School System. Collections of the county taxes and remittance of them to the General Fund, Sewer Fund, Paving Fund, Medical Center Fund, Debt Service Fund, Transportation Fund and the school system, are accounted for in the Tax Commissioner Agency Fund. County property tax revenues are recognized when due to the extent that they result in current receivables.

*Consolidated Government of Columbus, Georgia
 Notes to Financial Statements
 June 30, 2012*

Property taxes are normally levied and due on October 1 and December 1 each year. Collections of property taxes are made throughout the year. Liens may attach to property for unpaid taxes on December 20 after the due date.

NOTE E - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of capital asset activity as of June 30, 2012:

Primary Government:

Governmental Activities:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 145,945,025	\$ 2,231,841	\$ 166,781	\$ 148,010,085
Easements	4,432,387	-	-	4,432,387
Construction in progress	<u>57,389,978</u>	<u>28,865,689</u>	<u>19,036,262</u>	<u>67,219,405</u>
Total capital assets, not being depreciated/Amortized	<u>207,767,390</u>	<u>31,097,530</u>	<u>19,203,043</u>	<u>219,661,877</u>
Capital assets, being depreciated/amortized:				
Plant, buildings & improvements	144,740,020	8,875,786	-	153,615,806
Machinery and equipment	73,176,174	10,039,871	5,525,187	77,690,858
Roads	311,340,954	5,059,150	-	316,400,104
Bridges	31,063,969	-	-	31,063,969
Stormwater Drainage	30,454,361	-	-	30,454,361
Software	<u>504,325</u>	<u>245,740</u>	<u>-</u>	<u>750,065</u>
Total capital assets being depreciated/amortized	<u>591,279,803</u>	<u>24,220,547</u>	<u>5,525,187</u>	<u>609,975,163</u>
Less accumulated depreciation/amortization for:				
Plant, buildings & improvements	(62,195,476)	(3,865,562)	-	(66,061,038)
Machinery and equipment	(46,284,311)	(6,899,891)	4,748,803	(48,435,399)
Roads	(223,353,355)	(11,608,896)	-	(234,962,251)
Bridges	(10,473,763)	(776,599)	-	(11,250,362)
Stormwater Drainage	(380,680)	(761,359)	-	(1,142,039)
Software	<u>(161,510)</u>	<u>(87,294)</u>	<u>-</u>	<u>(248,804)</u>
Total accumulated depreciation/amortization	<u>(342,849,095)</u>	<u>(23,999,601)</u>	<u>4,748,803</u>	<u>(362,099,893)</u>
Total capital assets, depreciated/amortized, net	<u>248,430,708</u>	<u>220,946</u>	<u>776,384</u>	<u>247,875,270</u>
Governmental activities capital assets, net	<u>\$ 456,198,098</u>	<u>\$ 31,318,476</u>	<u>\$ 19,979,427</u>	<u>\$ 467,537,147</u>

Consolidated Government of Columbus, Georgia
Notes to Financial Statements
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Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,642,949
Public Safety	5,894,537
Public Works	14,550,004
Culture & Recreation	1,822,412
Urban Development and Housing	42,394
Economic Opportunity	<u>47,305</u>
 Total Depreciation/Amortization Expense – Governmental Activities	<u>\$23,999,601</u>

The Consolidated Government adopted a capitalization threshold of \$5,000 for capital assets, a threshold of \$250,000 for infrastructure assets and a threshold of \$50,000 for intangible assets. There were road donations by developers to the Consolidated Government during the current year recorded as infrastructure assets. Road projects consisted of resurfacing, general repairs and maintenance. In the current year the Consolidated Government has retroactively reported computer software as required by Governmental Accounting Standards Board Statement No. 51 regarding intangible asset reporting. Easements are not retroactively reported as they are permanent in nature and have indefinite useful lives.

A summary of business-type capital asset activity at June 30, 2012 follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 1,505,062	\$ -	\$ -	\$ 1,505,062
Capital assets, being depreciated:				
Plant, buildings & improvements	48,610,274	27,699	-	48,637,973
Machinery and equipment	<u>28,744,948</u>	<u>392,209</u>	<u>1,004,699</u>	<u>28,132,458</u>
Total capital assets being depreciated	<u>77,355,222</u>	<u>419,908</u>	<u>1,004,699</u>	<u>76,770,431</u>
Less accumulated depreciation for:				
Plant, buildings & improvements	(15,978,363)	(1,277,231)	-	(17,255,594)
Machinery and equipment	<u>(16,054,174)</u>	<u>(2,262,200)</u>	<u>995,982</u>	<u>(17,320,392)</u>
Total accumulated depreciation	<u>(32,032,537)</u>	<u>(3,539,431)</u>	<u>995,982</u>	<u>(34,575,986)</u>
Total capital assets, depreciated, net	<u>45,322,685</u>	<u>(3,119,523)</u>	<u>8,717</u>	<u>42,194,445</u>
Business-type activities capital assets, net	<u>\$ 46,827,747</u>	<u>\$ (3,119,523)</u>	<u>\$ 8,717</u>	<u>\$ 43,699,507</u>
 Business-type activities:				
Integrated Waste	\$ 896,064			
Parking Management	177,114			
Transportation	1,173,151			
Civic Center	<u>1,293,102</u>			
 Total Depreciation Expense – Business-type Activities	<u>\$ 3,539,431</u>			

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. Depreciation has been calculated on the capital assets using the following useful lives:

Plant, Buildings, and Improvements	5 - 40 Years
Machinery and Equipment	5 - 15 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	7 - 10 Years
Infrastructure (Roads)	20 Years

Component Units:

Columbus Trade and Convention Center:

The following is a summary of capital asset activity as of June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 279,000	\$ -	\$ -	\$ 279,000
Capital assets, being depreciated:				
Leasehold improvements	69,643	-	-	69,643
Plant, buildings & improvements	21,673,443	-	-	21,673,443
Machinery and equipment	627,822	-	-	627,822
Total capital assets being depreciated	22,370,908	-	-	22,370,908
Less accumulated depreciation for:				
Plant, buildings & improvements	(12,413,510)	(348,845)		(12,762,355)
Machinery and equipment	(580,839)	(11,323)	-	(592,162)
Total accumulated depreciation	(12,994,349)	(360,168)	-	(13,354,517)
Total capital assets, depreciated, net	9,376,559	(360,168)	-	9,016,391
Trade Center capital assets, net	\$ 9,655,559	\$ (360,168)	\$ -	\$ 9,295,391

NOTE F - COMMUNITY DEVELOPMENT BLOCK GRANT AND NEIGHBORHOOD STABILIZATION PROGRAM

The Community Development Block Grant Fund makes requests for funding to the Department of Housing and Urban Development (HUD) based upon the projected use of funds for a specified period. Upon acceptance, an entitlement or credit for funds is granted which can be drawn upon as expenditures are incurred.

The Consolidated Government administers the HOME Program, the Neighborhood Stabilization Program (NSP) and the Community Housing Development Program. The HOME Program is accounted for in the Home Program Grant Fund. The Neighborhood Stabilization Program (NSP) is accounted for in the Neighborhood Stabilization Program Fund. The Community Housing Development

Program is accounted for in the Community Development Block Grant Fund. The Consolidated Government has inventory of land for resale aggregating \$3,919,815 at lower of cost or market.

The Community Development Block Grant Fund administers grants of federal and local funds with the aim of community vitalization. As of June 30, 2012, there were three loan programs in progress. During a prior year the Consolidated Government initiated the use of a revolving loan fund to manage the loans, the Economic Development Fund. Loans outstanding as of June 30, 2012 are summarized in the following paragraphs:

Small Business Revolving Loan Program

The Economic Development Program Fund is responsible for administering the Small Business Revolving Loan Program. These loans are issued to minority businesses at a reduced rate of interest. During a prior year, the Consolidated Government paid off the outstanding balances at each of the participating financial institutions and took responsibility of the entire remaining balance on each loan. All program income generated from the outstanding balances of the loans reverts to the Consolidated Government. The current balance is \$34,244. An allowance of \$23,478 has been recognized for this loan.

Vista Center

A loan for the Vista Center Partners was made to develop and build a shopping complex in an economically deprived area. It is repayable in quarterly installments of \$2,324 at 4.65% per annum, and the remaining unpaid principal and interest are due in January 1999. The loan was made in 1990 for \$150,000 and the current balance is \$30,851.

Community Housing Improvement Program (CHIP)

At the Federal level, CHIP was replaced by the HOME Program and no new federal funds are available for the program; however, new loans were made at the local level with CHIP program income. Four types of loans were available through CHIP: Deferred Loans, First-time Home Buyers Loans, Historic Preservation Loans and Rehabilitation Loans. As of June 30, 2012 there was 1 Historic Preservation loan remaining from the program in the amount of \$29,415.

As each of the above loans was repaid, the funds were available for use by the Consolidated Government of Columbus within the guidelines of the Community Development Block Grant Program.

Neighborhood Stabilization Program (NSP)

During the fiscal year 2009, the Consolidated Government was approved for funding for the Neighborhood Stabilization Program (NSP) as authorized and appropriated under the Housing and Economic Recovery Act of 2008. The Consolidated Government allocated funds from the NSP award for the purpose of providing down payment assistance to provide home ownership opportunities to individuals and families who qualify based on family incomes that do not exceed 120% of family median income. The loan to each participant consists of principal in the amount of \$7,500 or \$12,500 depending on income. The loans are forgivable at 20% per year based on the original amount. As of June 30, 2012 there were 19 NSP loans in the amount of \$204,500.

NOTE G - URBAN DEVELOPMENT ACTION GRANT FUND

During the fiscal year 1988, the Consolidated Government established the Urban Development Action Grant Fund to administer Urban Development Grants and Loan Programs.

As of June 30, 2012, there were five loan programs in progress, as noted below:

Urban Development Action Grant (UDAG) Phase I

Mortgage loans were made to qualifying lower income applicants for first-time purchases of houses. The loan to each borrower consisted of principal of \$10,000, with rates of interest varying among borrowers, based upon a 30-year amortization schedule with the first payment due five years after the date of the loan. There are no new loans presently being made. Loans in the amount of \$1,000,000 were originally recorded. At June 30, 2012, 3 loans were being serviced in the amount of \$5,844.

Urban Development Action Grant (UDAG) Phase II

Mortgage loans were made to qualifying lower income applicants for first-time purchases of houses. The loan to each borrower consists of principal of \$10,000, with rates of interest varying among borrowers, based upon a 30-year amortization schedule with the first payment due five years after the date of the loan. There are no new loans presently being made. Loans in the amount of \$2,000,000 were originally recorded. At June 30, 2012, 15 loans were being serviced in the amount of \$14,486.

Urban Development Action Grant Mini-UDAG Phase III

This program relies on repayment of funds from the Phase I and Phase II Urban Development Action Grant. Terms are similar to Phase I and Phase II. Loans totaling \$1,990,000 have been made. At June 30, 2012, 41 loans are being serviced in the amount of \$144,426.

Urban Development Action Grant (UDAG) Phase IV

This program relies on repayment of funds from the Phase I, Phase II and Phase III Urban Development Action Grants. The second mortgage loan amount is \$5,000 with no interest and is payable over a 30-year term with payments of \$13.89 per month. At June 30, 2012, 80 loans are being serviced in the amount of \$254,489.

Urban Development Action Grant (UDAG) Phase V

This program relies on repayment of funds from Phase I, Phase II, Phase III and Phase IV Urban Development Action Grants. The second loan amount is \$5,000 with no interest and is payable over a 15-year term with payments of \$27.78 per month. At June 30, 2012, 20 loans are being serviced in the amount of \$44,822.

As each of the above loans is repaid, the funds will be available to be used by the Consolidated Government of Columbus within the guidelines of the Urban Development Action Grant Program.

NOTE H - HOME PROGRAM GRANT FUND

During a prior year, the Consolidated Government established the Home Program Grant Fund to administer HOME Program Grants and Loan Programs.

As of June 30, 2012, there were four loan programs in progress, as noted below:

First-time Home Buyers Program

Deferred mortgage loans were made to qualifying very low to low income applicants for first-time purchases of houses. The loan to each borrower consisted of principal of \$5,000 or \$10,000. The loans are forgivable at 20% and 10% per year based on the original amount. If the property is sold prior to the loans forgiveness period being complete, that portion of the loan outstanding is due in full. As of June 30, 2012, there were 485 First-time Home Buyers loans in the amount of \$1,305,000.

Rehabilitation Program

Deferred rehabilitation loans were made to qualified property owners who rent the majority of property to very low to low income tenants. The loan to each borrower varied depending on the amount of rehabilitation necessary to the building up to a maximum per unit of \$20,000 with the property owner required to provide 15% of total project costs. Very low-income property owners who also live on the property in conjunction with renters are not required to provide any project costs. The loans are forgivable at 10% per year. If the property is sold prior to the loan forgiveness period being complete, that portion of the loan outstanding is due in full. As of June 30, 2012, there were 70 Rehabilitation loans in the amount of \$2,502,260.

New Construction Program

Deferred loans were made to qualified property owners for new construction who rent the majority of the units to very low to low income tenants. The loans are deferred for a maximum of twenty years and then forgiven at a rate of 10% per year after the deferral period. If the property is sold prior to the forgiveness period being complete, that portion of the loan outstanding is due in full. As of June 30, 2012, there was a New Construction loan in the amount of \$1,000,000.

American Dream Down Payment Initiative Program (ADDI)

Deferred mortgage loans were made to qualifying very low to low income applicants for purchases of houses in one of the City's designated Redevelopment Areas. The loan to each borrower consisted of principal of \$10,000. The loans are forgivable at 20% per year based on the original amount. If the property is sold prior to the loan's forgiveness period being complete, that portion of the loan outstanding is due in full. At June 30, 2012, 42 loans are being serviced in the amount of \$192,000.

NOTE I - OPERATING LEASES

The government is committed under various leases for machinery and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures and outstanding obligations for the year were not significant.

NOTE J - LONG TERM DEBT

Primary Government

Bonds payable at June 30, 2012 are comprised of the following individual issues:

Columbus Building Authority Bonds:

\$11,090,000 1999A Refunding Issue serial bonds due in annual installments of \$100,000 to \$1,115,000 through June 1, 2012; interest at 4.0 to 4.2 percent (\$0.00 outstanding - Paid out in the current year).

\$9,585,000 1999C Taxable Various Purpose serial bonds in annual installments of \$305,000 to \$870,000 through August 1, 2019; interest at 6.1 to 6.85 percent (\$5,590,000 outstanding).

\$31,599,203 2003A Various Purpose serial bonds in annual installments of \$602,826 to \$2,035,072 through January 1, 2033; interest at 2.5 to 4.75 percent (\$26,981,812 outstanding).

\$10,575,000 2003B Various Purpose serial bonds in annual installments of \$160,000 to \$790,000 through January 1, 2033; interest at 5.5 to 5.8 percent (\$9,300,000 outstanding).

\$21,560,544 2010A Various Purpose and refunding serial bonds due in annual installments of \$490,437 to \$2,761,994 through January 1, 2020; interest at 1.0 to 3.5 percent (\$20,455,408 outstanding).

\$72,320,000 2010B Taxable Various Purpose Build America Bonds – Direct Payment due in annual installments of \$2,605,000 to \$5,005,000 through January 1, 2040; interest at 4.7 to 6.0 percent (\$72,320,000 outstanding).

\$2,090,000 2010C Taxable Various Purpose Recovery Zone Economic Development Bonds – Direct Payment due in annual installments of \$62,700 to \$2,090,000 through January 1, 2040; interest at 6.0 percent (\$2,090,000 outstanding).

The Consolidated Government has an agreement with the Columbus Building Authority whereby all assets purchased through the Columbus Building Authority are leased to the Consolidated Government. The Consolidated Government services the Building Authority's debt in lieu of making rental payments.

Under the Build America Bond – Direct Payment program the Consolidated Government will receive a federal subsidy through a refundable tax credit paid to state or local issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors in these taxable bonds. Under the Recovery Zone Economic Development Bond program the Consolidated Government will receive a federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors in these taxable bonds. Debt service on the bonds is not contingent on the receipt of these subsidies. The annual debt service requirements to maturity reflects total interest payments for these bond issues.

Riverwalk/Combined Sewer Project:

\$4,650,000 1991 Participation in Water and Sewer Revenue Bonds, due in annual installments of \$125,000 to \$400,000 through May 1, 2012; interest at 6.0 to 6.75 percent (\$0.00 outstanding - Paid out in current year). Ordinance 91-81 provides that the Consolidated Government will make payments of amounts equal to 125% of amortization installments required.

Notes Payable:

\$14,465,000 notes payable pursuant to a loan guaranteed by HUD under Section 108 of the Housing and Urban Development Act of 1974 due in annual installments of \$400,000 to \$750,000 through August 1, 2016; interest at 5.87 to 7.08 percent. During a previous year, this loan was refinanced in the amount of \$6,000,000 due in annual installments of \$750,000 through August 1, 2016; interest at 2.62 to 4.48 percent. (\$3,750,000 outstanding).

The annual debt service requirements to maturity of the Primary Government's General Obligation Bonds, Revenue Bonds and Notes Payable outstanding as of June 30, 2012 are as follows:

Year Ending June 30	Bonds Payable		
	Principal	Interest	Total
2013	2.00 - 6.45%	4,077,189	7,088,457
2014	2.00 - 6.55%	4,207,129	6,958,647
2015	2.00 - 6.65%	4,337,070	6,821,842
2016	3.00 - 6.75%	4,485,576	6,679,431
2017	3.5 - 6.75%	4,667,647	6,492,857
2018-2022	4.00 - 6.85%	21,917,246	29,356,585
2023-2027	5.55 - 6.00%	23,932,899	23,944,344
2028-2032	4.75 - 6.00%	29,762,392	16,844,859
2033-2037	4.75 - 6.00%	24,330,072	8,617,486
2038-2042	6.00%	15,020,000	1,825,500
	<u>\$ 136,737,220</u>	<u>\$ 114,630,008</u>	<u>\$ 251,367,228</u>

Consolidated Government of Columbus, Georgia
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Year Ending June 30	Notes Payable		
	Principal	Interest	Total
2013	3.82%	750,000	141,450
2014	4.00%	750,000	112,125
2015	4.14%	750,000	81,600
2016	4.33%	750,000	49,838
2017	4.48%	750,000	16,800
			<u>766,800</u>
	<u>\$ 3,750,000</u>	<u>\$ 401,813</u>	<u>\$ 4,151,813</u>

Year Ending June 30	Total Long-Term Debt		
	Principal	Interest	Total
2013	2.00 - 6.45%	4,827,189	7,229,907
2014	2.00 - 6.55%	4,957,129	7,070,772
2015	2.00 - 6.65%	5,087,070	6,903,442
2016	3.00 - 6.75%	5,235,576	6,729,269
2017	3.5 - 6.75%	5,417,647	6,509,657
2018-2022	4.00 - 6.85%	21,917,246	29,356,585
2023-2027	5.55 - 6.00%	23,932,899	23,944,344
2028-2032	4.75 - 6.00%	29,762,392	16,844,859
2033-2037	4.75 - 6.00%	24,330,072	8,617,486
2038-2042	6.00%	15,020,000	1,825,500
			<u>16,845,500</u>
	<u>\$ 140,487,220</u>	<u>\$ 115,031,821</u>	<u>\$ 255,519,041</u>

Compliance:

There are a number of limitations and restrictions in the various bond indentures. The Consolidated Government is in compliance with all significant limitations and restrictions.

Changes in Long Term Obligations:

The following is a summary of changes in long-term obligations of the Consolidated Government's Governmental Funds for fiscal year ended June 30, 2012:

*Consolidated Government of Columbus, Georgia
Notes to Financial Statements
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Governmental activities:

	July 1, 2011	Additions	Payments/ Retirements	June 30, 2012	Due Within One Year
Building Authority Bonds	138,783,744	-	(2,046,524)	136,737,220	4,077,189
Water and Sewer Bonds	400,000	-	(400,000)	-	-
Unamortized Premiums	899,436	-	(112,429)	787,007	112,429
Compensated Absences	7,610,045	7,577,740	(7,610,045)	7,577,740	3,582,606
Claims and Judgments	2,080,000	1,280,000	(2,080,000)	1,280,000	850,000
Notes Payable	4,500,000	-	(750,000)	3,750,000	750,000
Workers Compensation	6,613,320	8,074,115	(6,613,320)	8,074,115	4,252,714
Net OPEB Obligations	9,447,806	20,718,663	(9,447,806)	20,718,663	-
Closure - Wilson Camp Landfill	5,179,805	-	(5,179,805)	-	-
Total	\$ 175,514,156	\$ 37,650,518	\$ (34,239,929)	\$ 178,924,745	\$ 13,624,938

Business-type activities:

Compensated Absences	464,932	471,585	(464,932)	471,585	216,903
Net OPEB Obligations	763,459	1,807,123	(763,459)	1,807,123	-
EPD Mandated Liability	-	318,155	-	318,155	-
Landfill Closure/Postclosure	7,844,548	644,024	(71,884)	8,416,688	62,578
	\$ 9,072,939	\$ 3,240,887	\$ (1,300,275)	\$ 11,013,551	\$ 279,481

Compensated absences are liquidated by those funds that have salary and wages expenditures. Those funds are: General Fund, Sewer Fund, Paving Fund, Emergency Telephone, Community Development Block Grant Fund, Home Program Fund, Multi-Government Grant Fund, Job Training Partnership Program Fund, County Drug Abuse Treatment Fund, Integrated Waste Management Fund, Transportation Fund, Parking Management Fund, Civic Center Fund. Claims and judgments typically are liquidated in the General Fund. Workers Compensation payments are liquidated in the Risk Management Fund. The Net Other Postemployment Benefits Obligation is liquidated primarily by the General Fund, Integrated Waste Management Fund, Transportation Fund and Civic Center Fund.

Workers Compensation

Governmental Accounting Standards Board Statement No. 10 requires a liability of claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. As of June 30, 2012, the value of workers compensation claims payable is \$5,947,758 which is a long-term obligation payable in future years.

Closure – Wilson Camp Landfill

The Wilson Camp landfill was privately owned and used by the Consolidated Government and others until 1985. Portions of the landfill were closed in accordance with Georgia Environmental Protection Division (EPD) rules. However, approximately 70 acres was not properly closed due to private ownership. The Consolidated Government purchased the 70 acres with the intent to close the remainder of the landfill. Plans for closure were prepared and submitted for review to the Georgia Environmental Protection Division and a permit for closure was issued. The Consolidated Government awarded a contract and as of June 30, 2012 closure is 95% complete. All costs for closure of this landfill were recorded as part of the Consolidated Government's Special Projects Fund.

EPD Mandated Liability – Wilson Camp

The Georgia Environmental Protection Division (EPD) issued the Consolidated Government a consent order requiring the closure of the Wilson Camp landfill with the following conditions: design and installation of a groundwater and methane gas monitoring system; monitoring of both systems for a minimum of five years; and placement of a minimum of 24 inches of soil over the waste disposal areas and establishment of a permanent stand of vegetation. The closure of the landfill is almost complete and a liability has been established for post closure for five years as ordered. All costs for post closure for this landfill will be recorded in the Integrated Waste Management Fund where all landfill post closure monitoring costs are recorded. Based on estimates from the Consolidated Government's Department of Engineering, there will be no post closure costs incurred in the following fiscal year.

Landfill Closure and Postclosure Care Costs

State and federal laws require the Columbus Consolidated Government to close its landfill once its capacity is reached, and to monitor and maintain the site for thirty subsequent years. The Columbus Consolidated Government accounts for its landfill activity in a proprietary fund as required by state law.

On June 1, 1998, the Columbus Consolidated Government opened the Pine Grove Landfill. The old landfill (Schatulga Road Landfill) reached full capacity during a prior year.

As of June 30, 2012, the estimated liability for landfill closure and postclosure care costs is \$8,416,688, based on the following: 100.00% of landfill capacity used to date at the Schatulga Road Landfill and 29% of landfill capacity used to date at the Pine Grove Landfill. The remaining estimated liability is \$14,481,467 at the Pine Grove Landfill which will be recognized as the remaining 324 months (27 Years) capacity is used. The estimated costs of closure and postclosure care are subject to changes due to the effects of inflation, revision of laws, and other variables.

Prior Year Advance Refundings

In prior years, the Columbus Consolidated Government advance refunded certain Columbus Building Authority revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Columbus Consolidated Government's financial statements. On June 30, 2012, \$12,395,000 of bonds outstanding are considered defeased.

Long-Term Debt - Component Units:

Trade and Convention Center:

Consolidated Government of Columbus, Georgia
Notes to Financial Statements
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Revenue Bonds:

\$5,355,797 2003A Trade Center serial bonds due in annual installments of \$102,174 to \$344,928 through January 1, 2033; interest at 2.5 to 4.75 percent (\$4,573,188 outstanding).

Columbus Golf Authority:

Notes payable at June 30, 2012 are comprised of the following:

\$1,300,000 2010A Various Purpose serial bonds due annual installments of \$40,500 to \$103,000 through January 1, 2017; interest at 1.0 to 3.5 percent (\$464,592 outstanding). (Oxbow Creek)

As of June 30, 2012 annual debt requirements to maturity for bonds and notes payable for the Columbus Golf Authority and Columbus Trade and Convention Center are as follows:

<u>Columbus Golf Authority</u>				
Year Ending June 30	<u>Bonds Payable</u>			
	Interest Rate	Principal	Interest	Total
2013	2.00%	83,825	10,737	94,562
2014	2.00%	88,088	9,089	97,177
2015	2.00%	92,350	7,413	99,763
2016	3.00%	97,323	5,708	103,031
2017	3.50%	103,006	3,108	106,114
		<u>\$ 464,592</u>	<u>\$ 36,055</u>	<u>\$ 500,647</u>

<u>Columbus Trade & Convention Center</u>				
Year Ending June 30	<u>Bonds Payable</u>			
	Interest Rate	Principal	Interest	Total
2013	4.00 - 4.125%	128,986	216,335	345,321
2014	4.125 - 4.25%	134,783	211,015	345,798
2015	4.125 - 4.25%	140,580	205,287	345,867
2016	4.125 - 5.25%	147,101	199,488	346,589
2017	5.25%	154,348	191,765	346,113
2018-2022	4.40 - 4.70%	892,753	842,108	1,734,861
2023-2027	4.70 - 4.80%	1,147,101	611,149	1,758,250
2028-2032	4.75 - 5.00%	1,482,608	305,754	1,788,362
2033-2037	4.75%	344,928	16,384	361,312
		<u>\$4,573,188</u>	<u>\$ 2,799,285</u>	<u>\$ 7,372,473</u>

Changes in Long-Term Obligations:

The following is a summary of changes in long-term obligations of the Columbus Trade and Convention Center and Columbus Golf Authority for the fiscal year ended June 30, 2012:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Columbus Trade and Convention Center:					
Building Authority Bonds	\$ 4,697,101	\$ -	\$ (123,913)	\$ 4,573,188	\$ 128,986
Compensated Absences	77,645	58,514	(77,645)	58,514	31,248
Total	\$ 4,774,746	\$ 58,514	\$ (201,558)	\$ 4,631,702	\$ 160,234
Columbus Golf Authority:					
Building Authority Bonds	\$ 544,155	\$ -	\$ (79,563)	\$ 464,592	\$ 83,825
Leases Payable	12,392	-	(8,528)	3,864	3,864
Compensated Absences	68,650	64,561	(68,650)	64,561	23,436
Total	\$ 625,197	\$ 64,561	\$ (156,741)	\$ 533,017	\$ 111,125

Columbus Water Works:

At June 25, 2012 long-term debt consisted of the following:

Revenue Bonds

Columbus Water Works issues bonds where the payment of the bonds is made solely from the revenue of Columbus Water Works.

Revenue Bonds - Advance Refund

The following revenue bonds were issued to pay existing bonds in advance. The net proceeds were deposited with an escrow agent to refund various issues as noted.

Columbus, Georgia Water and Sewerage Revenue Bonds Series 2003 (refunding part of Series 1993) due in annual installments of \$1,085,000 to \$5,445,000 through May 1, 2020; interest at 5.25 percent. (\$0.00 outstanding).

Columbus, Georgia Water and Sewerage Revenue Bonds Series 2005 (refunding of Series 1997) due in annual installments of \$553,663 to \$7,440,250 through May 1, 2025; interest at 3.00 to 5.00 percent. (\$14,590,000 outstanding).

Columbus, Georgia Water and Sewerage Revenue Bonds Series 2007, due in annual installments of \$5,900,000 to \$7,500,000 through May 1, 2031; interest at 4.75% to 5.00%. (\$40,000,000 outstanding).

Columbus, Georgia Water and Sewerage Revenue Bonds Series 2009 due in annual installments of \$505,000 to \$3,720,000 through November 1, 2009; interest at 2.00 to 5.00 percent. (\$35,780,000 outstanding).

Columbus, Georgia Water and Sewerage Revenue Bonds Series 2012A (refunding part of Series 2005) due in annual installments of \$1,115,000 to \$5,050,000 through May 1, 2025; interest at 3.00 to 5.00 percent. (\$27,705,000 outstanding).

Columbus, Georgia Water and Sewerage Revenue Bonds Series 2012B (refunding of Series 2003) due in annual installments of \$4,220,000 to \$5,575,000 beginning May 1, 2017 through May 1, 2020; interest at .71 to 2.75 percent. (\$38,685,000 outstanding).

Notes Payable – Construction

The proceeds of the following notes were used to improve the Water and Sewerage Systems in Columbus, Georgia.

\$2,580,000 Columbus Building Authority 1992 Series, due in annual installments of \$80,000 to \$225,000 through May 1, 2012; interest of 5.40 to 6.20 percent. (\$0.00 outstanding – Paid out in current year)

\$4,003,332 State Revolving Loan Fund due in quarterly installments of \$60,839 through February 1, 2012; interest accrues at 2 percent. (\$0.00 outstanding – Paid out in current year)

\$12,240,000 State Revolving Loan Fund due in quarterly installments, of \$221,720 through August 1, 2017; interest accrues at 4 percent. (\$4,180,979 outstanding)

\$17,107,000 State Revolving Loan Fund due in sixty one (61) quarterly installments, commencing July 1, 2008; interest accrues at 3.67 percent from date of each draw. (\$9,665,640 outstanding)

\$3,500,000 Drinking Water State Revolving Loan Fund due in eighty (80) quarterly installments, commencing November 1, 2002; interest accrues at 3.5 percent from date of each draw. (\$2,245,912 outstanding).

\$502,265 Drinking Water State Revolving Loan Fund due in seventy-seven (77) quarterly installments, commencing February 1, 2001; interest accrues at 3 percent from date of each draw. (\$206,058 outstanding)

\$25,000,000 Clean Water State Revolving Loan Fund due in two hundred forty (240) monthly installments, commencing April 1, 2009; interest accrues at 3 percent from date of each draw. (\$21,984,320 outstanding)

\$7,000,000 Drinking Water State Revolving Loan Fund due in seventy-eight (78) quarterly installments, commencing December 1, 2008; interest accrues at 3 percent from date of each draw. (\$6,514,014 outstanding)

\$4,431,654 Clean Water State Revolving Loan Fund due in eighty (80) quarterly installments, commencing December 1, 2011; interest accrues at 3.67 percent from date of each draw. (\$4,431,654 outstanding)

\$25,000,000 Clean Water State Revolving Loan Fund due in two hundred eleven (211) monthly installments, commencing September 1, 2011; interest accrues at 3 percent from date of each draw. (\$731,821 outstanding).

Bond Covenants

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. Columbus Water Works is substantially in compliance with all such significant limitations and restrictions.

The annual requirements to maturity of the Columbus Water Works Revenue Bonds and Notes Payable outstanding as of June 25, 2012 are:

Consolidated Government of Columbus, Georgia
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June 30, 2012

		Bonds Payable		
Year Ending	June 25	Principal	Interest	Total
2013		7,400,000	6,187,098	13,587,098
2014		7,575,000	6,014,687	13,589,687
2015		7,765,000	5,821,922	13,586,922
2016		7,955,000	5,637,112	13,592,112
2017		9,425,000	5,428,122	14,853,122
2018-2022		48,600,000	22,500,077	71,100,077
2023-2027		40,125,000	12,164,405	52,289,405
2028-2032		27,915,000	3,574,750	31,489,750
		<u>\$ 156,760,000</u>	<u>\$ 67,328,173</u>	<u>\$ 224,088,173</u>

		Notes Payable		
Year Ending	June 25	Principal	Interest	Total
2013		3,235,828	1,594,021	4,829,849
2014		3,345,529	1,484,322	4,829,851
2015		3,461,534	1,368,317	4,829,851
2016		3,579,738	1,250,113	4,829,851
2017		3,707,806	1,122,045	4,829,851
2018-2022		15,821,829	3,995,003	19,816,832
2023-2027		12,161,825	1,668,467	13,830,292
2028-2032		4,646,309	205,594	4,851,903
		<u>\$ 49,960,398</u>	<u>\$ 12,687,882</u>	<u>\$ 62,648,280</u>

		Total Long-Term Debt		
Year Ending	June 25	Principal	Interest	Total
2013		10,635,828	7,781,119	18,416,947
2014		10,920,529	7,499,009	18,419,538
2015		11,226,534	7,190,239	18,416,773
2016		11,534,738	6,887,225	18,421,963
2017		13,132,806	6,550,167	19,682,973
2018-2022		64,421,829	26,495,080	90,916,909
2023-2027		52,286,825	13,832,872	66,119,697
2028-2032		32,561,309	3,780,344	36,341,653
		<u>\$ 206,720,398</u>	<u>\$ 80,016,055</u>	<u>\$ 286,736,453</u>

Changes in Long-Term Obligations:

The following is a summary of changes in long-term obligations (**including amortization of bond discounts**) of the Columbus Water Works for the fiscal year ended June 25, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 168,303,806	\$ 66,129,774	\$ (72,601,855)	\$ 161,831,725	\$ 7,400,000
Notes Payable	52,866,770	448,122	(3,354,494)	49,960,398	3,235,828
Compensated Absences	693,801	577,634	(500,193)	771,242	515,328
	<u>\$ 221,864,377</u>	<u>\$ 67,155,530</u>	<u>\$ (76,456,542)</u>	<u>\$ 212,563,365</u>	<u>\$ 11,151,156</u>

NOTE K - FUND BALANCE DETERMINATIONS AND CLASSIFICATIONS

The Consolidated Government has adopted a Fund Balance Policy. The Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It is also intended to preserve flexibility throughout the fiscal year to make adjustments in funding programs approved in connection with the annual budget. The main objective of establishing and maintaining a Fund Balance Policy is for the Consolidated Government to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The Consolidated Government also seeks to maintain the highest possible credit ratings, which are dependent, in part, on the Consolidated Government's maintenance of a healthy fund balance.

The Fund Balance (excess of assets over liabilities in a governmental fund) consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** consists of amounts that cannot be spent due to their form (such as inventories and prepaids) or amounts that legally or contractually must be maintained intact (such as the corpus of an endowment fund or perpetual care fund).
- **Restricted Fund Balance** consists of amounts that are mandated for a specific purpose by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of amounts that are set aside for a specific purpose by the Consolidated Government's highest level of decision making authority (City Council). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the amounts.
- **Assigned Fund Balance** consists of amounts that are set aside with the intent to be used for a specific purpose; intent can be expressed by the governing body (City Council) or by an official or body to which the governing body (City Council) delegates the authority.
- **Unassigned Fund Balance** consists of excess amounts that have not been classified in the previous four categories. All amounts in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Policy Statement – General Fund

The fund balance of the Consolidated Government's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain an unrestricted fund balance of up to 90 days but shall not be less than 60 days of annual budgeted expenditures for the fiscal year. The Consolidated Government's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain unrestricted fund balance of up to 90 days but shall not be less than 60 days of annual budgeted expenditures stems from the following:

- This amount provides adequate funding to cover approximately 60 to 90 days of operating expenses.
- This amount provides the liquidity necessary to accommodate the Consolidated Government's uneven cash flow, which is inherent in its periodic tax collection schedule and reimbursements for grants.
- This amount provides the liquidity to respond to contingent liabilities.
- The Government Finance Officers Association recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures.

Unassigned fund balance shall be any remaining amounts. In the event that the balance drops below the established minimum level of 60 days, the City Manager will develop a plan as part of the subsequent fiscal year annual budget to replenish the fund balance to the established minimum level in a reasonable timeframe.

In the event an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Consolidated Government will spend the most restricted dollars before less restricted in the following order: Nonspendable (if funds become spendable), Restricted, Committed, Assigned, Unassigned.

Authority to Commit Funds

The City Council has the authority to set aside amounts for a specific purpose. Any amounts set aside as Committed Fund Balance requires the passage of a resolution/ordinance by a majority vote. The passage of a resolution/ordinance must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution/ordinance must state the process or formula necessary to calculate the actual amount as soon as the information is available.

Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the Consolidated Government's Finance Director to assign amounts for specific purposes.

Upon passage of the budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as Assigned Fund Balance.

Policy Statement – Other Governmental Funds

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The amount of any restricted or committed fund balance shall be governed by the legal authority (state law or local ordinance) underlying the creation of the fund.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The amount of any restricted or committed fund balance shall be governed by the ordinance or resolution that authorizes the issuance of the bonds or local ordinance.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The amount of any restricted fund balance shall be governed by the ordinance or resolution that authorizes the issuance of the bonds. The amount of any committed fund balance shall be governed by state law and/or local ordinance (99 SPLOST Fund and Special Projects Fund).

Permanent Fund – Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. The Cemetery Perpetual Care Fund is the Consolidated Government's only permanent fund. The corpus (principal) of this fund shall be reported as nonspendable fund balance. Any remaining funds shall be reported as committed fund balance and shall be governed by local ordinance.

NOTE L - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds:

Due to General Fund from:

Medical Center Fund	\$ 5,623,584
Civic Center Fund	1,366,916
Nonmajor governmental funds	921,765
Nonmajor proprietary funds	16,172
Total due to General Fund from other funds	<u>\$ 7,928,437</u>

Due to Civic Center Fund from:

Nonmajor governmental funds	<u>\$ 113,603</u>
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Due to Internal Service Funds from:

Civic Center Fund	\$ 876
Nonmajor governmental funds	19,328
Nonmajor proprietary funds	4,443
Total due to Internal Service Funds from other funds	<u>\$ 24,647</u>

Due to Fiduciary Funds from:

General Fund	\$ 102,321
Integrated Waste Management Fund	13,722
Civic Center Fund	2,766
Nonmajor governmental funds	31,621
Nonmajor proprietary funds	8,474
Total due to Fiduciary Funds from other funds	<u>\$ 158,904</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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Interfund transfers:

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 2,185,000</u>
Transfers to Medical Center Fund from:	
General Fund	<u>\$ 600,000</u>
Transfers to 1999 Sales Tax Projects Fund from:	
Nonmajor governmental funds	<u>\$ 81,598</u>
Transfers to Integrated Waste Management Fund from:	
General Fund	<u>\$ 1,176,433</u>
Transfers to Civic Center Fund from:	
Nonmajor governmental funds	<u>\$ 1,258,361</u>
Transfers to Internal Service Funds from:	
General Fund	3,159,926
Integrated Waste Management Fund	146,234
Nonmajor governmental funds	329,494
Nonmajor enterprise funds	104,346
Total Transfers to Internal Service Funds from other funds	<u>\$ 3,740,000</u>
Transfers to Nonmajor governmental funds from:	
General Fund	7,625,815
Nonmajor governmental funds	4,929,235
Total Transfers to Nonmajor governmental funds from other funds	<u>\$ 12,555,050</u>

Interfund transfers consist of transactions to record funding for risk management activities, inmate health care, capital projects and Civic Center operations. There are also transfers of sales tax proceeds to fund various sales tax supported capital projects.

NOTE M - DUE FROM OTHER GOVERNMENTS AND AGENCIES

General Fund

State of Georgia - Department of Corrections	\$ 309,840
Housing Authority of Columbus, Georgia	<u>5,032</u>
	\$ 314,872

Special Revenue Funds

Paving Fund

State of Georgia - Department of Transportation	114,298
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Community Development Block Grant Fund

U.S. Department of Housing and Urban Development	114,429
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Home Program Fund

U.S. Department of Housing and Urban Development	119,146
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Multi-Governmental Project Fund

U.S. Department of Justice, Office of Justice Programs	137,732
U.S. Department of Energy	688,976
U.S. Department of Agriculture, U.S. Forestry Service	2,880
U.S. Treasury, General Services Administration	50,000
Corporation for National Service	5,455
State of Georgia -	
Bright from the Start	7,129
Department of Transportation	74,071
Department of Human Resources	15,466
Council of Juvenile Court Judges of Georgia	50
Georgia Bureau of Investigation - Criminal Justice Coordinating Council	84,571
Judicial Council of Georgia	9,557
Georgia Emergency Management Agency - Office of Planning and Budget	232,610
Governor's Office for Children and Families	32,461
City of Phenix City, Alabama	<u>21,568</u>
	1,362,526

Job Training Partnership Program Fund

State of Georgia - Department of Labor	321,384
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Neighborhood Stabilization Program Fund

U.S. Department of Housing and Urban Development	63,797
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Family Connection Partnership Fund

State of Georgia - Department of Human Resources	20,568
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Capital Projects Funds		
Special Projects Fund		
State of Georgia - Department of Transportation		3,434,586
Enterprise Fund		
Transportation Fund		
Federal Transit Authority	331,535	
State of Georgia - Department of Transportation	<u>34,695</u>	
		<u>366,230</u>
		<u><u>\$ 6,231,836</u></u>

NOTE N - DEFICIT BALANCES

The JTPA fund has a deficit fund balance as of June 30, 2012 of \$3,742. The deficit is attributable to a disallowed cost from a prior year. Upon closure of the fund, the General Fund will provide funding to eliminate the deficit.

The Family Connection Partnership Fund has a deficit fund balance as of June 30, 2012 of \$2,538. The deficit is attributable to an over-expenditure of the grant from the State of Georgia, Department of Human Resources. The deficit will be recovered from donations.

The Medical Center Fund has a deficit fund balance as of June 30, 2012 of \$6,293,160. The deficit is attributable to payment for medical care of city prisoners and payment of 3 mills of tax regardless of collection per contract with the Medical Center. The General Fund will provide funding to eliminate the deficit in future years.

The Employee Health Insurance Fund has deficit net assets as of June 30, 2012 of \$3,981,185. The deficit is attributable to claims incurred but not paid as of June 30, 2012. The deficit will be recovered when funds are available and appropriated.

NOTE O - COMMITMENT - HEALTH AND HUMAN SERVICES FACILITIES

The Columbus Consolidated Government is obligated under Georgia State Law (31-3-9) to "provide the county board of health with quarters and equipment sufficient for its operation." Effective July 1, 1997, the Columbus Consolidated Government is obligated to provide funds for rent in the amount of \$304,381 annually to the Medical Center Hospital Authority on behalf of the Columbus Health Department.

The Consolidated Government also has contracted with the Authority for the provision of medical care to indigent residents and prisoners of city jails. The annual cost to the City is 3 mills times the value of taxable real and personal property comprising the tax digests of the City. In addition to this special levy, if the annual cost of prisoner medical care exceeds \$500,000, the Consolidated Government will pay one-half of the excess cost. During the year ended June 30, 2012, funds remitted to the Medical Center Hospital Authority totaled \$13,623,009. This financial arrangement is effective for thirty years commencing July 1, 1992.

NOTE P - COMMITMENTS - CONSTRUCTION CONTRACTS

The Consolidated Government is under obligation for all material construction contracts in the amount of \$95,198,628 as of June 30, 2012. At that date, \$41,186,172 had been spent, leaving an uncompleted contractual obligation of \$54,012,456. These contracts are connected with the Special Purpose Local Option Sales Tax (SPLOST) and various other projects funded by various bond issuances.

The Consolidated Government pledged a commitment of funds in an amount not to exceed \$3,585,000 to support public infrastructure improvements for the Baker Village revitalization, a 65 year old, low income, housing community of 590 units, during a seven year implementation period, from fiscal years 2007 – 2013. Funding will be provided in equal installments of \$498,714 each year over the seven year period.

NOTE Q - CONTINGENCIES

During the 2004 fiscal year, the Columbus Airport Commission, a component unit, issued Series 2003 Airport Refunding Revenue Bonds for the primary purpose of refunding its Series 1994 Airport Improvement Revenue Bonds maturing after January 1, 2004. The Bonds are not deemed to be a debt of the Government. However, the Government has contractually agreed that, should net revenues of the airport be insufficient to pay the principal and interest of the 2003 bonds as the same become due and payable, the Government will provide funds for any such deficiency. The Government will also insure that the balance of the reserve account of the Sinking Fund is maintained at the reserve requirement. The Airport Commission notified the Government that as of June 30, 2012, the Commission had sufficient funds to make the payment required as of July 1, 2012 and also maintain the Reserve Account of the Sinking Fund at the Reserve Requirement.

The contingent and overlapping bonded debt arrangements of the Government are summarized as follows:

Muscogee County School District	\$ 52,915,000
General Obligation Debt	--
Contractual Debt	
Columbus Building Authority	136,737,220
Notes Payable	3,750,000
Contractual Contingent Debt	
Columbus Airport Commission	<u>580,000</u>
	<u>\$ 193,982,220</u>

Revenue bonds have been issued in the amount of \$156,760,000, which are supported solely from revenues generated by the Columbus, Georgia, Water & Sewer System, a component unit.

Material revenue is derived from contractual agreements with government agencies and may be subject to retroactive adjustment.

NOTE R - CONTINGENT LIABILITIES - LITIGATION

The Consolidated Government has elected to be self-insured with regard to litigation. The Government does not maintain a funded reserve for potential liability. The Government's ability to levy and collect taxes provides the basis for funding contingent liabilities relating to litigation.

The Government is party to a substantial number of lawsuits incidental to operations and associations with authorities created by its Charter, some involving substantial amounts. At the balance sheet date, per Counsel, the maximum exposure of all lawsuits totaled \$1,280,000. A potential estimated liability in the amount of \$1,280,000 has been provided for in the financial statements as a long-term portion in the Government Wide Statement of Net Assets.

If the ultimate resolution of these cases results in additional expense to the Government, such expense will be charged to operations when determined. Estimating the results of any litigation contains elements of uncertainty. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the Government. Additional information is included in Note S - Risk Management.

NOTE S - RISK MANAGEMENT

I. Employee Health Insurance Fund

The Consolidated Government has established a Risk Management Fund (an internal service fund) in which losses associated with employee and retiree health claims are accounted for and financed. A commercial health insurance company administers the health claims. Under this program, the employee health care insurance fund provides coverage for up to a maximum of \$350,000 for each worker's or retiree's health claim. The Consolidated Government purchases coverage in excess of \$350,000 from the health insurance company by increase in administration charges. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the Consolidated Government participate in the program and make payments to this Fund based on estimates provided through analysis of historical cost information of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The claims liability of \$4,456,762 reported in the Fund at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2011 and 2012 were:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</u>
2010-2011	\$3,084,939	\$ 18,099,504	\$ (17,931,756)	\$ 3,252,687
2011-2012	\$3,252,687	\$ 21,779,558	\$ (20,575,483)	\$ 4,456,762

II. Workers Compensation and Uninsured Losses

It is the policy of the Consolidated Government not to purchase commercial insurance for certain risks of loss to which it is exposed. Instead, the Consolidated Government believes it more economical to manage its certain risks internally and set aside assets for claim settlement in the Risk Management Fund.

The Risk Management Fund services claims for risk of loss, including general liability, property and casualty, and workers' compensation. The Association of County Commissioners (ACCG) administers the workers' compensation claims. Under this program, all claims payments are made by ACCG with monthly billing to the Consolidated Government. Other services of ACCG include: claims administrative services, risk management information services, loss control and safety, Subsequent Injury Trust Fund, Workers' Compensation Board assessment and actuarial reporting.

All funds of the Consolidated Government participate in the Risk Management Fund. The Risk Management Fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, based on a percentage of each organization's estimated current-year payroll. This charge considers recent trends in actual claims experience of the Consolidated Government as a whole and makes provision for catastrophe losses.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balances of claims liabilities for the Risk Management Fund during fiscal 2011 and 2012 were as follows:

Consolidated Government of Columbus, Georgia
Notes to Financial Statements
June 30, 2012

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</u>
2010-2011	\$ 1,864,812	\$ 2,946,454	\$ (3,017,749)	\$ 1,793,517
2011-2012	\$ 1,793,517	\$ 5,054,885	\$ (4,146,307)	\$ 2,702,095

At June 30, 2012, the Fund held \$4,516,533 in cash and investments designated for payment of these claims.

III. Other

The Consolidated Government covers all other risks of loss not provided for in its internal service funds through the General Fund. These risks include but are not limited to torts, damage and destruction of assets. Current claims expenditures and liabilities are recognized and paid in the General Fund. The long-term portion is recognized in General Long-Term Debt.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not settled. At June 30, 2012 the amount of these liabilities was \$1,280,000. This liability is the Consolidated Government's best estimate based on available information. Changes in liabilities during fiscal 2011 and 2012 were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</u>
2010-2011				
General Fund	\$ -	\$ 793,233	\$ (793,233)	\$ -
Long-Term Debt	<u>2,760,000</u>	<u>(680,000)</u>	<u>-</u>	<u>2,080,000</u>
	<u>\$ 2,760,000</u>	<u>\$ 113,233</u>	<u>\$ (793,233)</u>	<u>\$ 2,080,000</u>
2011-2012				
General Fund	\$ -	\$ 57,000	\$ (57,000)	\$ -
Long-Term Debt	<u>2,080,000</u>	<u>(800,000)</u>	<u>-</u>	<u>1,280,000</u>
	<u>\$ 2,080,000</u>	<u>\$ (743,000)</u>	<u>\$ (57,000)</u>	<u>\$ 1,280,000</u>

Additional information is provided in Note R, contingent liabilities litigation.

NOTE T - BENEFIT PLANS

The Government has established a Major Disability Income Plan and a Death Benefit Plan administered through the Pension Benefit Fund of the Government. In addition to the employees of the Consolidated Government, these plans are made available to the employees of the Columbus Water Works, the Airport Commission and the Hospital Authority.

The Major Disability Plan provides benefits to full-time employees who become disabled due to sickness or injury. The benefit is 60% of monthly compensation averaged over the past year reduced by other disability payments.

Employer contributions are determined on an annual basis by actuarial valuation. Employee contributions are not permitted. The Government's 2012 contribution was \$80,000 and was actuarially determined to be \$80,000.

The Death Benefit Plan provides life insurance for retirees who, on the day prior to retirement under the Columbus, Georgia Employees' Retirement Fund, are insured for group life insurance under the Columbus, Georgia Employees' Group Insurance Plan. A benefit for spouses, and for children and grandchildren under age 19 (age 23, if in school), is available with the payment of a monthly premium.

Employer contributions to the Plan are determined annually by actuarial valuation. The actuarial cost method used to determine the contribution amount and actuarial accrued liability was the aggregate actuarial cost method.

Under the aggregate actuarial cost method, the Normal Cost is computed as the level percentage of pay which, if paid from the valuation date until each participant's retirement or termination date, will, together with the assets of the plan accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the plan. Significant actuarial assumptions are (1) 7.0% per annum return on investment and (2) 3.25% per annum earnings progression.

Experience gains or losses, i.e., decreases or increases in liabilities attributable to deviations in experience from the actuarial assumptions, are spread into the future, increasing or decreasing normal cost for future years.

The valuation included all active employees currently participating in one of the Government-sponsored retirement plans, as well as retired participants and their dependents who were covered by group life insurance under the Columbus, Georgia Employees' Group Insurance Plan immediately prior to their retirement. There were 4,170 active participants as of June 30, 2011. The Government's 2012 contribution to the Plan was \$200,000 and was actuarially determined to be \$200,000.

As of June 30, 2011, the actuarial accrued liability of the Death Benefit Plan was \$4,372,564. The actuarial value of the assets available in the Death Benefits Plan is \$2,213,406.

The benefit provisions and all other requirements are established by state statute and local ordinance.

NOTE U - EMPLOYEES AND PUBLIC SAFETY RETIREMENT PLANS

The Consolidated Government maintains two non-contributory, defined benefit pension plans (PERS); one single employer plan covering the sworn officers of the Department of Public Safety, correctional officers and law enforcement officers of the Muscogee County Sheriff's Department and law enforcement officers of Parks Security (PERS A); and one multi-employer plan covering substantially all other full time employees of the Consolidated Government, the Columbus Water Works, the Airport Commission, the Hospital Authority, the Columbus Trade and Convention Center, and Bull Creek Golf Course Authority (PERS B).

Summary of Significant Accounting Policies and Plan Asset Matters:

Basis of Accounting. The Consolidated Government of Columbus, Georgia PERS financial statements are prepared on the accrual basis of accounting. Contributions from the Consolidated Government are recognized as revenue in the period in which employees provide services to the Consolidated Government. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. There are no investments in, loans or leases with parties related to the pension plan.

Funding Policy:

During the 1991 fiscal year, the Consolidated Government effectively repealed all prior funding ordinances and provided for the funding of the plans in accordance with the minimum requirements established by Georgia Law, Title 47 of the Official Code of Georgia, Annotated. Contribution requirements are actuarially determined annually. Active participants are not required to make contributions to the plans. Administrative costs are financed through investment earnings. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Combining Statement of Plan Net Assets of Pension Trust Funds
Fiduciary Funds
As of June 30, 2012

	General	
	Government	Public Safety
	PERS B	PERS A
Assets:		
Operating Cash	\$ 1,571,033	\$ 2,046,068
Receivables:		
Interest	347,590	452,692
Other	5,280	-
Due from Other Funds	158,904	-
Total Receivables	<u>511,774</u>	<u>452,692</u>
Investments, at Fair Value		
US Government Obligations	16,799,296	21,878,925
Mortgages	1,537,810	2,002,799
Corporate Bonds	16,326,913	21,263,707
Common Stocks	73,622,281	95,883,564
Preferred Stocks	459,982	599,068
Short Term Investments	3,354,820	4,369,222
Total Investments	<u>112,101,102</u>	<u>145,997,285</u>
TOTAL ASSETS	114,183,909	148,496,045
Liabilities:		
Accounts Payable	<u>1,704</u>	<u>2,219</u>
TOTAL LIABILITIES	<u>1,704</u>	<u>2,219</u>
Net Assets:		
Held in Trust for:		
Pension Benefits	114,182,205	148,493,826
TOTAL NET ASSETS	<u>\$ 114,182,205</u>	<u>\$ 148,493,826</u>

**Combining Statement of Changes in Plan Net Assets of Pension Trust Funds
 Fiduciary Funds
 For Fiscal Year Ending June 30, 2012**

	General		Public Safety
	Government		PERS A
	PERS B		

Additions:

Contributions			
Employer	\$ 11,309,984	\$ 13,267,399	
 Total contributions	 11,309,984	 13,267,399	
 Investment Income:			
Interest and Dividends	2,865,877	3,732,436	
Investment Fees	(524,259)	(682,779)	
 Net Appreciation in Fair Value of Investments	 (2,258,332)	 (534,111)	
 Total Investment Income	 83,286	 2,515,546	
 Miscellaneous	 524	 682	
 TOTAL ADDITIONS	 11,393,794	 15,783,627	

Deductions:

Benefits	7,322,209	10,726,751	
Contractual Services	18,345	18,346	
 TOTAL DEDUCTIONS	 7,340,554	 10,745,097	
 CHANGE IN NET ASSETS	 4,053,240	 5,038,530	
 NET ASSETS - BEGINNING	 110,128,965	 143,455,296	
 NET ASSETS - ENDING	 \$ 114,182,205	 \$ 148,493,826	

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS A)

Plan Description:

Sworn officers of the Department of Public Safety, including employees of the Columbus Police Department, Columbus Fire Department,

Emergency Management, Emergency Medical Service, Muscogee County Correctional Institution, correctional officers and law enforcement officers of the Muscogee County Sheriff's Department, participate in the PERS A, single-employer, noncontributory, defined benefit pension plan. Also participating in PERS A are law enforcement officers of the Parks Security Division. The benefit provisions and all other requirements are established by state statute and City ordinance. The Public Employee Retirement System (PERS A) provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan does not issue a separate financial report.

<u>Group</u>	<u>July 1, 2011</u>
Retirees and Beneficiaries currently receiving benefits	451
Vested Terminated Participants	299
Active Employees	1,285

Annual Pension Cost:

For 2012, the required contribution was \$13,661,146. The City's annual pension cost was \$13,691,186 for PERS A and the actual contribution was \$13,267,399. The required contribution was determined as part of the July 1, 2010 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases at 3.25% per year and an inflation rate of 2.75 % per year.

The Actuarial Value of Assets is a 3-year smoothing method, established July 1, 1998. One-third of the master trust market value gain or loss for the current year, and two-thirds of the gain or loss from the previous year are recognized in the current year's actuarial value. Gains and losses for all years prior to the previous year are fully recognized. PERS A's unfunded accrued liability is being amortized as a level percentage of project payroll on a closed basis. The Annual Pension Cost was computed as follows:

Annual Required Contribution	\$13,661,146
Interest on Net Pension Obligation	(57,040)
Adjustment to Annual Required Contribution	<u>87,080</u>
Annual Pension Cost	13,691,186
Actual Contribution Made	<u>13,267,399</u>
Increase in Net Pension Obligation	423,787
Net Pension Obligation Beginning of the Year	<u>(814,861)</u>
Net Pension Obligation End of Year	<u>\$ (391,074)</u>

Three Year Trend Information for PERS A:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$11,229,375	99%	\$ (852,678)
June 30, 2011	\$13,111,044	100%	\$ (814,861)
June 30, 2012	\$13,691,186	97%	\$ (391,074)

Consolidated Government of Columbus, Georgia

Notes to Financial Statements

June 30, 2012

Required Supplemental Disclosure PERS A
Schedule of Funding Progress
(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
7/1/09	\$ 135,615	\$ 165,650	\$ 30,065	81.9%	\$ 46,730	64.3%
7/1/10	\$ 136,355	\$ 163,838	\$ 27,482	83.2%	\$ 51,772	53.1%
7/1/11	\$ 132,835	\$ 159,224	\$ 26,389	83.4%	\$ 53,328	49.5%

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS B)

Plan Description:

Substantially all of the full-time employees of the Consolidated Government (other than those participating in PERS A), the Columbus Water Works, the Airport Commission, the Hospital Authority, the Columbus Trade and Convention Center, and Bull Creek Golf Course Authority participate in the PERS B, a multiple-employer, noncontributory, cost sharing, defined benefit pension plan. The benefit provisions and all other requirements are established by state statute and city ordinance. The Public Employee Retirement System (PERS B) provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan does not issue a separate financial report. Current membership in the PERS B is comprised of the following:

<u>Group</u>	<u>July 1, 2011</u>
Retirees and Beneficiaries currently receiving benefits	666
Terminated participants entitled to future benefits	600
Active Employees	1,737
Number of Participating employers	6

Annual Pension Cost:

For 2012, the City's required contribution was \$8,545,902. The City's annual pension cost was \$8,608,825 for PERS B and the actual contribution was \$7,854,784. The required contribution was determined as part of the July 1, 2010 actuarial valuation using the Frozen Entry Age actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year and an inflation rate of 2.75 % per year.

The Actuarial Value of Assets is a 3-year smoothing method, established July 1, 1998. One-third of the master trust market value gain or loss for the current year, and two-thirds of the gain or loss from the previous year are recognized in the current year's actuarial value. Gains and losses for all years prior to the previous year are fully recognized. PERS B's unfunded accrued liability is being amortized as a level percentage of project payroll on a closed basis. The remaining amortization period at June 30, 2011 was 14 years.

Consolidated Government of Columbus, Georgia

Notes to Financial Statements

June 30, 2012

The Annual Pension Cost was computed as follows:

Annual Required Contribution	\$ 8,545,902
Interest on Net Pension Obligation	(119,480)
Adjustment to Annual Required Contribution	<u>182,403</u>
Annual Pension Cost	8,608,825
Actual Contribution Made	<u>(7,854,784)</u>
Increase in Net Pension Obligation	754,041
Net Pension Obligation Beginning of the Year	<u>(1,706,863)</u>
Net Pension Obligation End of Year	<u>\$ (952,822)</u>

Three Year Trend Information for PERS B:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 6,961,877	97%	\$ (1,919,276)
June 30, 2011	\$ 8,394,883	98%	\$ (1,706,863)
June 30, 2012	\$ 8,608,825	91%	\$ (952,822)

Required Supplemental Disclosure PERS B
Schedule of Funding Progress
(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
7/1/09	\$ 104,500	\$ 126,866	\$ 22,366	82.4%	\$ 57,339	39.0%
7/1/10	\$ 106,105	\$ 126,291	\$ 20,186	84.0%	\$ 59,663	33.8%
7/1/11	\$ 104,059	\$ 123,442	\$ 19,382	84.3%	\$ 63,800	30.4%

NOTE V – OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

During a prior year, the Consolidated Government established the Columbus Retiree Healthcare Plan in the Other Post Employment Benefits Trust Fund. The Consolidated Government of Columbus Retiree Healthcare Plan is a cost sharing multiple-employer benefit healthcare plan for the City, Airport Commission, Columbus Trade and Convention Center and Bull Creek Golf Authority administered by the Consolidated Government. The Plan provides continuation of medical and dental insurance benefits to eligible retirees and their spouses. Retirees under the age of 65 can select the BlueChoice PPO or the BlueChoice Plan (HMO). The benefit provisions and other requirements are established by state statute and city ordinance. The City is self-insured in the provision of pre-

Consolidated Government of Columbus, Georgia

Notes to Financial Statements

June 30, 2012

65 medical and dental benefits. Upon reaching age 65, for those participants eligible for benefits beyond 65, medical benefits are provided by a fully-insured Medicare Advantage Plan. For participants hired prior to July 1, 2001 medical benefits are provided for the lifetime of the retiree. For participants hired after July 1, 2001, medical benefits are provided until the retiree reaches age 65. The Plan does not issue a separate financial report. Membership of the plan consisted of the following at July 1, 2011:

Retirees and spouses	1,117
Active Members	2,489
Number of participating employers	3

Funding Policy:

Participants are required to contribute in order to receive benefits under the Plan. Contributions depend on the plan selected and persons covered.

2012 Values:	<u>Blue Choice PPO</u>	<u>Blue Choice HMO</u>
Plan member	\$151.70	\$129.30
Spouse	210.60	186.20
Child	234.00	209.60
Family	257.40	233.00

Contributions for dental coverage are required at the same group rate as active coverage. After age 65, participants receiving coverage under the Medicare Advantage Plan contribute \$132.05 of the \$180.03 monthly cost (2012 values). In fiscal year 2012, the employer contributed \$1,838,863 and Plan members contributed \$1,845,745.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made in the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefits costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Columbus Retiree Healthcare Plan	
Actuarial valuation date	7/1/2011
Actuarial cost method	Projected Unit Credit
Amortization method	30 year open period - level dollar payment
Asset valuation method	Market
Actuarial Assumptions:	
Investment rate of return	4.0% per annum (includes inflation at 2.75% per annum). 10% for 2011/12 graded to 6.0% for 2019/20
Ultimate rate	5.0%

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated using the Projected Unit Credit Actuarial Cost Method, which consists of the cost components:

1. The Normal Cost is the Actuarial Present Value of benefits allocated to the valuation year.
2. The Actuarial Liability is the Actuarial Present Value of benefits accrued as of the valuation date.
3. Valuation Assets are equal to the market value of assets as of the valuation date, if any.
4. Unfunded Actuarial Liability if the difference between the Actuarial Liability and the Valuation Assets. It is amortized over the maximum permissible period under Governmental Accounting Standards Board Statement 45 of 30 years.

The following table shows the calculation of the Annual Required Contribution and the Net OPEB Obligation:

Consolidated Government of Columbus, Georgia

Notes to Financial Statements

June 30, 2012

	For Fiscal Year Ending	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Determination of Annual Required Contribution		
Normal Cost at year end	\$ 3,123,000	\$ 3,313,048
Amortization of Actuarial Liability	\$ 3,913,000	\$ 5,291,723
Amortization of Net OPEB Obligation	<u>\$ 947,000</u>	<u>\$ -</u>
Annual Required Contribution (ARC)	\$ 7,983,000	\$ 8,604,771
Determination of Net OPEB Obligation		
Annual Required Contribution	\$ 7,983,000	\$ 8,604,771
Interest on prior year Net OPEB Obligation	\$ 681,000	\$ 498,783
Adjustment to ARC	<u>\$ (947,000)</u>	<u>\$ (629,093)</u>
Annual OPEB Cost	\$ 7,717,000	\$ 8,474,461
Contributions Made	\$ (1,838,863)	\$ (1,768,613)
Interest on employer contributions	<u>\$ (54,000)</u>	<u>\$ -</u>
Increase in Net OPEB Obligation	\$ 5,824,137	\$ 6,705,848
Net OPEB Obligation - beginning of year	\$ 17,054,038	\$ 10,348,190
Net OPEB Obligation - end of year	<u>\$ 22,878,175</u>	<u>\$ 17,054,038</u>

The following table shows the annual OPEB cost and net OPEB obligation for the prior 3 years:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 8,288,098	23.5%	\$10,348,190
June 30, 2011	\$ 8,474,461	20.9%	\$17,054,038
June 30, 2012	\$ 7,717,000	23.8%	\$22,878,175

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liabilities (1)	Unfunded Liabilities (2)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/09	\$1,517,452	\$42,592,859	\$41,075,407	3.7%	\$83,927,344	48.9%
6/30/10	\$1,667,569	\$79,378,874	\$77,711,305	2.1%	\$90,405,791	86.0%
6/30/11	\$1,668,000	\$85,701,000	\$84,033,000	1.9%	\$94,527,429	88.9%

(1) Actuarial liability determined under the unit credit cost method.

(2) Actuarial liability less actuarial value of assets, if any.

NOTE W- HOTEL/MOTEL LODGING TAX

The Columbus Consolidated Government has levied an 8% lodging tax. A summary of the transactions for the year ending June 30, 2012 follows:

Lodging tax receipts		\$ 5,033,445
Disbursements to:		
Columbus Convention & Visitors Bureau/Sports Council	4.00%	(2,516,722)
Civic Center	2.00%	(1,258,361)
Columbus Trade & Convention Center	1.00%	(629,181)
River Center For The Performing Arts	1.00%	<u>(629,181)</u>
Balance of lodging tax funds on hand at end of year		\$ <u> </u> -

The Columbus Consolidated Government has received audit reports from the Columbus Convention and Visitors Bureau (Component Unit), the Columbus Sports Council and the River Center for the Performing Arts covering the lodging tax monies. The Civic Center (Enterprise Fund) and the Columbus Trade and Convention Center (Component Unit) are a part of the annual audit of the Columbus Consolidated Government. Each entity used the revenue for promotion of tourism as required by the Official Code of Georgia Annotated (OCGA) 48-13-51.

NOTE X- SPECIAL PURPOSE LOCAL OPTION SALES TAX

On November 2, 1999, the voters of Muscogee County approved a referendum to continue a special one percent retail sales and use tax to raise \$255,441,322 for various capital and road projects. Of the voter-approved total, \$235,500,000 is direct project costs and \$19,941,322 is financing costs. During a prior year, the Director of the Department of Revenue Sales and Use Tax Division notified the Columbus Consolidated Government that sufficient revenues had been collected from the sales tax returns received during September 2008 to satisfy the threshold imposed by the referendum. The original direct project costs budget of \$235,500,000 was increased to \$240,500,000 by Council action in November 2001. The budget was increased to \$241,100,000 by Council action in February 2007. The budget was increased to \$247,178,148 by Council action in July 2007. The budget was increased during a prior year to \$269,178,148 by Council action taken in July 2009. The budget was increased during the current year to \$286,353,648 by Council action taken in July 2011.

The schedule of projects listed below indicates their current status.

Consolidated Government of Columbus, Georgia
 1999 Special Purpose Local Option Sales Tax Projects

<u>Category</u>	<u>Original Budget</u>	<u>Project Budget</u>	<u>FY00 Thru</u>		<u>Total Expenditures</u>	<u>% Complete as of 6/30/12</u>
			<u>FY11 Expenditures</u>	<u>FY12 Expenditures</u>		
Public Safety						
Fire Stations	\$ 5,000,000	\$ 5,051,330	\$ 5,051,328	\$ -	\$ 5,051,328	100.00%
Vehicles & Equipment	\$ 13,000,000	\$ 17,948,670	\$ 17,960,435	\$ 115,853	\$ 18,076,288	100.71%
Animal Shelter	\$ 2,000,000	\$ 2,600,000	\$ 2,486,354	\$ -	\$ 2,486,354	95.63%
Total	\$ 20,000,000	\$ 25,600,000	\$ 25,498,117	\$ 115,853	\$ 25,613,970	100.05%
Economic						
Liberty District Redevelopment	\$ 5,000,000	\$ 5,000,000	\$ 1,915,444	\$ 38,719	\$ 1,954,163	39.08%
Columbus Iron Works Convention and Trade Center	\$ 5,000,000	\$ 7,075,500	\$ 7,075,403	\$ -	\$ 7,075,403	100.00%
Enterprise Zone	\$ 7,000,000	\$ 7,000,000	\$ 705,437	\$ 1,705,831	\$ 2,411,268	34.45%
Need for Land (NFL)	\$ 12,000,000	\$ 12,500,000	\$ 9,187,474	\$ 118,929	\$ 9,306,403	74.45%
Total	\$ 29,000,000	\$ 31,575,500	\$ 18,883,758	\$ 1,863,479	\$ 20,747,237	65.71%
Recreation	\$ 30,000,000	\$ 43,400,000	\$ 32,891,961	\$ 6,103,763	\$ 38,995,724	89.85%
Transportation	\$ 13,500,000	\$ 13,500,000	\$ 10,803,665	\$ 1,046,284	\$ 11,849,949	87.78%
Government Service Center	\$ 3,000,000	\$ 3,000,000	\$ 762,267	\$ (22,339)	\$ 739,928	24.66%
Stormwater Drainage and Flood Abatement	\$ 30,000,000	\$ 36,700,000	\$ 31,244,346	\$ -	\$ 31,244,346	85.13%
Governmental, Proprietary & Administrative	\$ 30,000,000	\$ 30,000,000	\$ 29,668,974	\$ -	\$ 29,668,974	98.90%
Library	\$ 40,000,000	\$ 46,078,148	\$ 45,307,997	\$ 437,919	\$ 45,745,916	99.28%
Roads	\$ 40,000,000	\$ 56,500,000	\$ 39,533,492	\$ 3,963,733	\$ 43,497,225	76.99%
TOTAL DIRECT PROJECT COSTS	\$ 235,500,000	\$ 286,353,648	\$ 234,594,579	\$ 13,508,692	\$ 248,103,269	

Required Supplementary Information

Public Employee Retirement System (PERS A) Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
7/1/02	\$99,204	\$129,249	\$30,045	76.8%	\$36,953	81.3%
7/1/03	\$98,105	\$126,921	\$28,816	77.3%	\$38,763	74.3%
7/1/04	\$101,105	\$136,764	\$35,658	73.9%	\$38,846	91.8%
7/1/05	\$107,863	\$141,940	\$34,077	76.0%	\$38,389	88.8%
7/1/06	\$115,923	\$148,308	\$32,385	78.2%	\$41,065	78.9%
7/1/07	\$126,128	\$160,778	\$34,650	78.4%	\$40,734	85.1%
7/1/08	\$134,311	\$166,732	\$32,420	80.6%	\$42,552	76.2%
7/1/09	\$135,615	\$165,650	\$30,035	81.9%	\$46,730	64.3%
7/1/10	\$136,355	\$163,837	\$27,483	83.2%	\$51,773	53.1%
7/1/11	\$132,835	\$159,224	\$26,389	83.4%	\$53,328	49.5%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Employer Contribution Actually Made	Actual Contribution as a % of Calculated Contribution
6/30/03	\$4,828	\$4,828	100.0%
6/30/04	\$6,023	\$6,023	100.0%
6/30/05	\$7,506	\$7,506	100.0%
6/30/06	\$8,800	\$8,800	100.0%
6/30/07	\$9,320	\$9,340	100.2%
6/30/08	\$9,912	\$10,009	101.0%
6/30/09	\$10,555	\$10,555	100.0%
6/30/10	\$11,172	\$11,177	100.0%
6/30/11	\$13,058	\$13,079	100.2%
6/30/12	\$13,661	\$13,267	97.0%

Required Supplementary Information

Public Employee Retirement System (PERS B) Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
7/1/02	\$77,978	\$101,753	\$23,284	76.6%	\$41,996	57.3%
7/1/03	\$76,145	\$98,757	\$22,612	77.1%	\$43,761	51.7%
7/1/04	\$77,996	\$106,065	\$28,069	73.5%	\$43,076	65.2%
7/1/05	\$82,827	\$109,508	\$26,680	75.6%	\$44,144	60.4%
7/1/06	\$89,014	\$114,203	\$25,184	77.9%	\$47,026	53.6%
7/1/07	\$97,035	\$123,343	\$26,307	78.7%	\$49,395	53.3%
7/1/08	\$103,487	\$127,891	\$24,403	80.9%	\$53,028	46.0%
7/1/09	\$104,500	\$126,866	\$22,366	82.4%	\$57,339	39.0%
7/1/10	\$106,105	\$126,291	\$20,186	84.0%	\$59,663	33.8%
7/1/11	\$104,059	\$123,442	\$19,382	84.3%	\$63,800	30.4%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Employer Contribution Actually Made	Actual Contribution as a % of Calculated Contribution
6/30/03	\$2,592	\$2,592	100.0%
6/30/04	\$3,845	\$3,845	100.0%
6/30/05	\$5,345	\$5,345	100.0%
6/30/06	\$6,399	\$6,400	100.0%
6/30/07	\$7,045	\$7,069	100.3%
6/30/08	\$7,698	\$7,872	102.3%
6/30/09	\$8,452	\$8,506	100.6%
6/30/10	\$9,356	\$9,408	100.6%
6/30/11	\$11,423	\$11,444	100.2%
6/30/12	\$12,305	\$11,310	91.9%

Required Supplementary Information

Other Postemployment Benefits (OPEB)

Schedule of Funding Progress

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Liabilities		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(AAL) (1)	(UAAL) (2)			
6/30/05	N/A	N/A	N/A	N/A	N/A	N/A
6/30/06	N/A	N/A	N/A	N/A	N/A	N/A
6/30/07	\$ -	\$ 41,467	\$ 41,467	0.00%	N/A	N/A
6/30/08	\$ 1,517	\$ 42,592	\$ 41,075	3.70%	\$ 83,927	48.90%
6/30/09	\$ 1,667	\$ 79,378	\$ 77,711	2.10%	\$ 90,405	86.00%
6/30/10	\$ 1,668	\$ 85,701	\$ 84,033	1.90%	\$ 94,527	88.90%

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APPENDIX C
FORMS OF THE RESOLUTION AND THE CONTRACT

This Appendix C has been prepared by Gray Pannell & Woodward LLP, Savannah, Georgia, Bond Counsel.

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RESOLUTION

A RESOLUTION OF THE HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA (THE "AUTHORITY") TO PROVIDE FOR THE ISSUANCE OF THE HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF \$35,000,000 (THE "SERIES 2013 CERTIFICATES"), PURSUANT TO AND IN CONFORMITY WITH THE CONSTITUTION AND STATUTES OF THE STATE OF GEORGIA, PAYABLE FROM REVENUES AND EARNINGS DERIVED FROM THE AUTHORITY'S OWNERSHIP AND OPERATION OF ITS HEALTH CARE SYSTEM INCLUDING NEW FACILITIES FOR MUSCOGEE MANOR AND REHABILITATION CENTER, AS SAID FACILITIES ARE ACQUIRED, CONSTRUCTED AND EQUIPPED; AUTHORIZING THE PROCEEDS OF THE SERIES 2013 CERTIFICATES TO BE USED TO FINANCE, IN WHOLE OR IN PART, THE COST OF ACQUIRING, CONSTRUCTING AND EQUIPPING THE NEW FACILITIES DESCRIBED HEREIN, TOGETHER WITH CAPITALIZED INTEREST AND THE COSTS OF ISSUING THE SERIES 2013 CERTIFICATES; TO SECURE PAYMENT OF THE SERIES 2013 CERTIFICATES BY A FIRST AND PRIOR PLEDGE OF OR CHARGE OR LIEN ON THE GROSS REVENUES OF THE HEALTH CARE SYSTEM; TO PROVIDE FOR THE ISSUANCE, UNDER CERTAIN CIRCUMSTANCES, OF REVENUE ANTICIPATION CERTIFICATES OF THE AUTHORITY ON A PARITY AS TO THE FIRST AND PRIOR PLEDGE OF OR CHARGE OR LIEN ON THE GROSS REVENUES OF THE HEALTH CARE SYSTEM HELD BY THE SERIES 2013 CERTIFICATES; TO PROVIDE FOR PRESCRIBING RATES AND COLLECTING FEES AND CHARGES FOR THE SERVICES AND FACILITIES OF THE AUTHORITY; TO PROVIDE FOR THE CREATION OF CERTAIN FUNDS TO PAY THE PRINCIPAL OF AND INTEREST ON ALL CERTIFICATES (AS DEFINED HEREIN) ISSUED HEREUNDER; TO AUTHORIZE THE EXECUTION OF AN INTERGOVERNMENTAL CONTRACT WITH COLUMBUS, GEORGIA; TO REQUEST THAT THE COUNCIL OF COLUMBUS, GEORGIA, AUTHORIZE THE EXECUTION OF SUCH INTERGOVERNMENTAL CONTRACT; TO AUTHORIZE THE SALE AND ACCEPTANCE OF BIDS FOR THE SERIES 2013 CERTIFICATES; TO PROVIDE FOR THE REMEDIES OF THE OWNERS OF ALL CERTIFICATES ISSUED HEREUNDER; AND FOR OTHER PURPOSES.

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Exhibit A: Form of Contract

PREAMBLE

1. The Hospital Authority of Columbus, Georgia is a public body corporate and politic created by the Hospital Authorities Law of Georgia, codified in Official Code of Georgia Annotated ("O.C.G.A.") § 31-7-70 *et seq.* (the "Hospital Authorities Law"), and was activated by a resolution adopted on November 14, 1967 by the governing body of Muscogee County at the time of such activation. The Columbus, Georgia-New Charter for County-Wide Government (Ga. Laws 1993, p. 4978, at 5006), as amended by the voters of Columbus, Georgia at referendum held November 6, 2012 (the "Columbus Charter"), in Article IV, Chapter 6, Section 4-621, readopted and approved the renaming and designation of the "Hospital Authority of Muscogee County," as the "Hospital Authority of Columbus, Georgia" (the "Authority"), and authorized the Authority to continue its operation without interruption resulting from the adoption of the Columbus Charter.

2. The Authority has been and is now legally created, existing, and operating in accordance with all of the terms and provisions of the Hospital Authorities Law and will continue to comply with all of the requirements thereof.

3. The Hospital Authorities Law grants to the Authority the power to acquire, construct, and equip hospitals, health care facilities, nursing homes, rehabilitation centers, extended care facilities, and other public health facilities for the use of patients and officers and employees of any institution under the supervision and control of the Authority or leased by the Authority for operation by others, to promote the public health needs within its area of operation and all utilities and facilities deemed by the Authority necessary or convenient for the efficient operation thereof, and the power to establish rates and charges for the services and use of the facilities of the Authority.

4. The Authority has heretofore constructed a nursing home, personal care home and related facilities known as Muscogee Manor and Rehabilitation Center, Cobis Personal Care Home, Azalea Trace Nursing Center, and Muscogee Home Health (collectively, the "Current Facilities"), located within the territorial limits of Columbus, which are owned and operated by the Authority in furtherance of its purposes which include providing nursing home, rehabilitation and health care to the citizens of Columbus, including indigent citizens. The Authority does not provide critical hospital care or long term hospital care.

5. In order to provide a better standard of care for its patients the Authority desires to issue its HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013 (the "Series 2013 Certificates") in a maximum aggregate principal amount of \$35,000,000 (the exact principal amount to be established by supplemental resolution of the Authority) to provide funds for the acquisition, construction and equipping of a new Muscogee Manor and Rehabilitation Center (the "New Facilities") to be located on property owned by the Authority at the northeast corner of the intersection of Williams Road and Whitesville Road, within the territorial limits of Columbus, and to pay certain Costs of Issuance. The Current Facilities and the New Facilities are defined collectively as the "Health Care System" of the Authority.

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6. The Series 2013 Certificates shall be issued in accordance with the provisions of this resolution, as the same shall be hereafter supplemented and amended (the "Resolution").

7. It is anticipated that revenues to be produced by the Health Care System will be sufficient to pay the debt service to become due on the Series 2013 Certificates, provide and maintain any necessary debt service reserves, and provide for the operation and maintenance of the Health Care System in accordance with the provisions of this Resolution and sound business practices.

8. The Authority has determined that the most feasible and economical way to secure the payment of the Series 2013 Certificates, in addition to pledging the gross revenues of the Authority derived from the Health Care System, is for the Authority to enter into an intergovernmental contract (the "Contract") with Columbus, Georgia ("Columbus") in accordance with the Hospital Authorities Law whereby Columbus shall agree to the extent required and up to and including a four (4) mill limit to pay to or for the account of the Authority amounts, if any shall be required in addition to the revenues of the Health Care System, sufficient to pay the debt service on the Series 2013 Certificates and to assure the continued operation and maintenance of the Health Care System for so long as the Series 2013 Certificates shall remain outstanding and unpaid.

9. Columbus has agreed in the Contract that its four (4) mill obligation pursuant to the Contract taken together with any and all outstanding agreements which may be subject to the Hospital Authorities Law will not cause it to exceed the seven (7) mill limitation currently prescribed in that law, nor will it undertake any new or amended contract for the provision of indigent health care, which shall cause it to exceed said seven (7) mill limitation currently prescribed in the Hospital Authorities Law or such greater limitation as may be hereafter prescribed thereunder.

10. Payments to be made by Columbus under the provisions of the Contract are pledged by this Resolution as additional security for the payment of the Series 2013 Certificates.

11. The acquisition, construction, and equipping of the New Facilities shall be in accordance with or substantially in accordance with plans, specifications, and recommendations relating thereto which are on file in the offices of the Authority and, by this reference thereto, are incorporated herein.

12. The Authority has determined further that it is in its best interests to issue the Series 2013 Certificates through a public offering in an aggregate principal amount which will be sufficient to (i) finance the cost of acquiring, constructing, and equipping the New Facilities, (ii) finance capitalized interest, and (iii) pay the costs of issuance of the Series 2013 Certificates.

13. The Council of Columbus, Georgia, as the governing body for Columbus, by resolution adopted on September 13, 2011, Resolution 292-11, indicated its willingness to take such actions as may be required for the Authority to issue revenue anticipation certificates authorized hereby (described in Resolution 292-11 as the Series 2011 Certificates), and declared its official intent to enter into the Contract with the Authority in accordance with the Hospital

Authorities Law whereby Columbus shall agree to the extent required and within the seven (7) mill limitation described in the Hospital Authorities Law to pay to or for the account of the Authority amounts sufficient to pay the debt service on the certificates, maintain any necessary debt service reserves, and to assure the continued operation and maintenance of the facilities of the Authority for so long as the certificates shall remain outstanding and unpaid. The Authority hereby requests that pursuant to the Contract, Columbus pledge up to a four (4) mill limit within the seven (7) mill limitation currently prescribed in the Hospital Authorities Law.

14. Pursuant to the Contract, Columbus, in consideration of the nursing home and personal care services and facilities of the Authority to be provided by the Health Care System to the citizens of Columbus, including the indigent sick and disabled citizens of Columbus, will covenant and agree that should the Gross Revenues (as defined in this Resolution) of the Health Care System be insufficient to pay the principal of and premium, if any, and interest on the revenue certificates as the same become due and payable, it will pay promptly to the Authority the amount of such insufficiency for the purpose of paying such principal of and premium, if any, and interest and to assure the continued operation of the Health Care System while the Series 2013 Certificates are outstanding and unpaid.

15. The payment of the Series 2013 Certificates and certificates issued hereafter on a parity therewith pursuant to this Resolution and the interest thereon shall be secured by a first and prior pledge of and charge or lien on the Gross Revenues of the Health Care System and a first and prior pledge of and charge or lien on the payments (if any) to become due from Columbus pursuant to the Contract.

NOW, THEREFORE, BE IT RESOLVED by the Hospital Authority of Columbus, Georgia, in public meeting properly and lawfully called and assembled, and it hereby is resolved by authority of the same, that the form of the Contract which is attached to this Resolution be submitted to the Council of Columbus with the request that the Council adopt a resolution (i) reaffirming the provisions of its Resolution 292-11, (ii) authorizing the Finance Director of Columbus to review and approve the Notice of Sale and the acceptance of bids by the Authority as authorized by this Resolution, (iii) authorizing the Mayor or Mayor Pro-tem to execute and deliver the Contract in final form setting forth the exact maturities and interest rates on the Series 2013 Certificates, for which Columbus shall agree to pay under the conditions and on the terms set forth in the Contract and to the extent the Gross Revenues of the Authority are insufficient therefore, (iv) authorizing the Clerk of Council to attest such execution and delivery and to affix the seal of Columbus thereto, and (v) authorizing and directing the Mayor, City Manager, Finance Director, City Attorney or other officials of Columbus to take such actions and make such certifications as are necessary for the Authority to proceed with the proposed issuance and delivery of the Series 2013 Certificates and to effect the undertakings for which the Series 2013 Certificates are to be issued;

AND

BE IT FURTHER RESOLVED, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 101. Definitions of Certain Terms. In addition to the words and phrases elsewhere defined in this Resolution, the following words and phrases used herein shall have the following meanings:

"2013 Resolution" means this resolution, including any supplements or amendments hereto, which authorizes the issuance of the Series 2013 Certificates.

"Authentication Agent" means with respect to the Series 2013 Certificates, U.S. Bank National Association, in the City of Atlanta, Georgia, and with respect to any Parity Certificates, shall have the meaning specified by the supplemental resolution authorizing such Parity Certificates.

"Authority" means the Hospital Authority of Columbus, Georgia, a body corporate and politic created and existing under the Hospital Authorities Law, and any successor or successors to the present Authority, and any person, body or authority to whom, or to which, hereafter may be delegated by law the duties, powers, authority, obligations or liabilities of the present Authority either in whole or in relation to the Health Care System.

"Authority Representative" means any person at the time designated to act on behalf of the Authority by a certificate containing the specimen signature of such person and signed by the Chairman of the Authority. Such certificate may designate one or more alternates.

"Bond Counsel" means an attorney at law or a firm of attorneys, designated by the Authority, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Capital Improvement Fund" means the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA CAPITAL IMPROVEMENT FUND provided for in Section 502(c) hereof.

"Capital Improvement Fund Custodian" means Branch Banking and Trust Company (BB&T), in the City of Columbus, Georgia, or such other bank or trust company so designated from time to time by resolution of the Authority.

"Certificate Date" means the date a series of Certificates is dated, and with respect to the Series 2013 Certificates, the term means the date of issuance and delivery of the Series 2013 Certificates.

"Certificateholder," "Holder," or "Owner" means the registered owner of any Certificate.

"Certificates" means the outstanding Series 2013 Certificates, and, from and after the issuance of any Parity Certificates, unless the context clearly indicates otherwise, such Parity Certificates.

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"Cede & Co." means Cede & Co., the nominee of DTC or any successor nominee of DTC.

"Code" means the Internal Revenue Code of 1986, as amended.

"Columbus" means Columbus, Georgia, a consolidated government and a political subdivision of the State.

"Construction Fund" means the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA CONSTRUCTION FUND, authorized to be created pursuant to Section 403.

"Construction Fund Depository" means Branch Banking and Trust Company (BB&T), in the City of Columbus, Georgia, or such other bank or trust company so designated from time to time by resolution of the Authority.

"Contract" means the intergovernmental contract, dated as of the date of issuance and delivery of the Series 2013 Certificates, between the Authority and Columbus, the form of which is attached hereto and made a part hereof as Exhibit A.

"Costs of Issuance" means the reasonable and necessary costs and expenses incurred by the Authority with respect to the issuance of a series of Certificates, the Resolution, and any transaction or event contemplated by the Resolution, including fees and expenses of engineers, accountants, attorneys, placement agents, underwriters, financial advisors; financial fees and expenses; advertising, recording, validation and printing expenses; premiums for any Debt Service Reserve Credit Instruments; and all other costs and expenses incurred in connection with the issuance of a series of Certificates.

"Costs of Issuance Account" means an account, authorized to be created pursuant to Section 402 of this Resolution for the exclusive purpose of paying Costs of Issuance incurred in connection with the issuance of a series of Certificates.

"Current Facilities" means Muscogee Manor and Rehabilitation Center, Cobis Personal Care Home, Azalea Trace Nursing Center, and Muscogee Home Health which are currently owned and operated by the Authority.

"Debt Service" means the principal of and interest due on the Certificates.

"Debt Service Requirement" means the amount required in a Sinking Fund Year to pay the Debt Service on the Certificates as the same becomes due and payable.

"Debt Service Reserve Credit Instrument" means a debt service reserve insurance policy or surety bond or letter of credit or a combination thereof deposited in the Debt Service Reserve Fund in accordance with Section 503(c) in lieu of or in partial substitution for cash on deposit therein.

"Debt Service Reserve Fund" means the fund of such name which may be hereafter established, as described in Section 502(c).

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Notwithstanding the foregoing, Gross Revenues shall not include (a) income earned in any construction fund established with proceeds of Certificates, (b) payments by Columbus pursuant to the Contract which are dedicated to the payment of Debt Service on the Certificates, (c) the proceeds of borrowing and interest earned thereon if and to the extent such interest is required to be excluded by the terms of the borrowing, and (d) local, state or federal grants and capital improvement contract payments or other moneys received for capital improvements to the Health Care System.

"Health Care System" means the Current Facilities and the New Facilities of the Authority.

"Hospital Authorities Law" means O.C.G.A. § 31-7-70, *et seq.*

"Interest Payment Date" with respect to the Series 2013 Certificates, shall have the meaning given such term in Section 202(a), and with respect to any Parity Certificates, shall have the meaning specified by the supplemental resolution authorizing such Parity Certificates.

"New Facilities" means the new Muscogee Manor and Rehabilitation Center, a skilled nursing home and rehabilitation center to be acquired constructed and equipped with proceeds from the sale of the Series 2013 Certificates on property of the Authority located at the northeast corner of the intersection of Williams Road and Whitesville Road, within the territorial limits of Columbus.

"O.C.G.A." means Official Code of Georgia Annotated.

"Operating Expenses" means the reasonable and necessary costs of operating, maintaining, and repairing the Health Care System, including salaries, wages, payment of any contractual obligations pertaining to the operation of the Health Care System, the cost of materials and supplies, rentals of leased property and facilities, insurance and such other charges as may properly be made for the purpose of operating, maintaining, and repairing the Health Care System in accordance with sound business practice, the payment of necessary fees and charges, if any, of the Paying Agent, Registrar, and Authentication Agent (if a bank or trust company), and the payment, if any, for the investment services of any fund or account held for the benefit of the Health Care System, but shall not include depreciation, amortization charges, bond interest expense, or allocation of overhead.

"Outstanding" or **"Outstanding Certificates"** means all Certificates which have been executed and delivered pursuant to this Resolution except:

(a) Certificates cancelled because of payment or redemption;

(b) Certificates for the payment or redemption of which funds or securities in which such funds are invested shall have been deposited theretofore with a duly designated paying agent or escrow agent for the Certificates (whether upon or prior to the maturity or redemption date of any such Certificates) provided that if such Certificates are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to such Paying Agent shall have been made therefor, or a waiver of such notice, satisfactory in form to such Paying Agent, shall have been filed with such Paying Agent; and

(c) Certificates in lieu of which other Certificates have been executed and delivered under Section 205 of this Resolution.

“Parity Certificates” means any revenue anticipation certificates of the Authority which may be issued hereafter on a parity with the Series 2013 Certificates in accordance with the terms of this Resolution.

“Paying Agent” means with respect to the Series 2013 Certificates, U.S. Bank National Association, in the City of Atlanta, Georgia, and with respect to any Parity Certificates, shall have the meaning specified by the supplemental resolution authorizing such Parity Certificates.

“Principal Payment Date” means with respect to the Series 2013 Certificates, July 1, and with respect to any Parity Certificates shall have the meaning specified by the supplemental resolution authorizing such Parity Certificates.

“Project Superintendent” means the person designated by the Authority to have responsibility to supervise the acquisition and construction of the New Facilities and any successor to such person.

“Record Date” shall have the meaning given such term in Section 202(e).

“Registrar” means with respect to the Series 2013 Certificates, U.S. Bank National Association, in the City of Atlanta, Georgia, and with respect to any Parity Certificates, shall have the meaning specified by the supplemental resolution authorizing such Parity Certificates.

“Resolution” means this resolution, including any supplements or amendments hereto, which authorizes the issuance of the Series 2013 Certificates and the future issuance, subject to certain conditions, of Parity Certificates.

“Revenue Bond Law” means the Revenue Bond Law of the State of Georgia, codified in O.C.G.A. § 36-82-60 through § 36-82-85, as amended.

“Revenue Fund” means the fund described in Section 502(a).

“Revenue Fund Custodian” means Branch Banking and Trust Company (BB&T), in the City of Columbus, Georgia, or such other bank or trust company so designated from time to time by resolution of the Authority.

“Series 2013 Certificates” means the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013, authorized to be issued pursuant to the terms of this Resolution.

“Sinking Fund” means the fund described in Section 502(b).

“Sinking Fund Custodian” means Branch Banking and Trust Company (BB&T), in the City of Columbus, Georgia, or such other bank or trust company so designated from time to time by resolution of the Authority.

“Sinking Fund Year” means the period commencing on July 2 in a year and ending on July 1 in the next ensuing year.

“State” means the State of Georgia.

“Variable Rate Certificates” shall mean any portion of a series of Parity Certificates the interest rate on which fluctuates subsequent to the time of issuance; provided, however, that any Parity Certificates for which payment obligations do not fluctuate in the aggregate does not constitute Variable Rate Certificates.

Section 102. Rules of Construction. Unless the context clearly indicates to the contrary:

(a) “herein,” “hereby,” “hereunder,” “hereof,” “hereinbefore,” “hereinafter,” and other equivalent words refer to this Resolution and not solely to the particular portion thereof in which any such word is used;

(b) any pronoun used herein shall be deemed to cover all genders;

(c) all references herein to particular Articles or Sections are references to Articles or Sections of this Resolution; and

(d) the titles preceding each Section of this Resolution are for convenience of reference only and are not intended to define, limit or describe the scope or intent of any provisions of this Resolution.

[END OF ARTICLE I]

ARTICLE II

AUTHORIZATION, TERMS, AND FORM OF CERTIFICATES

Section 201. Authorization and Designation. Revenue anticipation certificates of the Authority designated HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013 are hereby authorized to be issued for the purposes aforesaid in the maximum aggregate principal amount of \$35,000,000 (the “**Series 2013 Certificates**”) pursuant to the Hospital Authorities Law, the Revenue Bond Law, the laws of the State relating to the Authority, and pursuant to this Resolution.

Section 202. Maturities, Interest Rates, Interest Payment Dates, Date, Denominations, and Other Particulars.

(a) The Series 2013 Certificates shall be issued in such principal amounts as determined by the Authority, shall mature and be paid annually on July 1 beginning July 1, 2015 (each a “**Principal Payment Date**”) and bear interest at a rate or rates not to exceed five and one half percent (5.5%) per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable on January 1 and July 1 (each an “**Interest Payment Date**”) in each year, beginning July 1, 2013 (the actual years, principal amounts, and interest rate or rates to be fixed by supplemental resolution to be adopted by the Authority); provided, however, that the maximum annual principal and interest payment on the Series 2013 Certificates shall be \$2,800,000 and the final date of maturity shall be July 1, 2034.

(b) The Series 2013 Certificates shall be dated as of the date of issuance and delivery thereof (the “**Certificate Date**”).

(c) The Series 2013 Certificates as originally issued shall be lettered and numbered from R-1 upward in order of maturity, or in such other manner as may be directed by the Authority, according to the records maintained by the Registrar.

(d) Except as provided in this Section, each Certificate shall bear interest from the Interest Payment Date next preceding the date of authentication of such Certificate to which interest on the Certificates has been paid, unless (i) such date of authentication is an Interest Payment Date to which interest has been paid, in which case from such Interest Payment Date, (ii) such date of authentication of such Certificate is after the Record Date with respect to an Interest Payment Date and prior to such Interest Payment Date, in which case from such Interest Payment Date, or (iii) no interest has been paid on the Certificates, in which case from the Certificate Date.

(e) The person in whose name any Certificate is registered at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding any registration of transfer or exchange subsequent to such Record Date and prior to such Interest Payment Date. The term “**Record Date**” as used in this Section with respect to any Interest Payment Date shall mean the 15th day of the calendar month next preceding such Interest Payment Date; provided, however,

that if and to the extent a default shall occur in the payment of interest due on such Interest Payment Date, such past due interest shall be paid to the persons in whose name Outstanding Certificates are registered on a subsequent date of record established by notice given by mail by the Registrar to the Holders of the Certificates not less than 30 days preceding such subsequent date of record.

(f) The Debt Service and redemption premium, if any, on the Certificates shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The principal of the Certificates (and in the case of term Certificates, the final payment of principal) shall be payable upon the presentation and surrender of the Certificates to the Paying Agent. The Debt Service on the Certificates shall be paid by check or draft mailed by the Paying Agent by first class mail to the respective Owners of the Certificates at such Owners’ addresses as they appear on the Certificate register kept by the Registrar (or by wire transfer to the Owners of Certificates in the minimum aggregate principal amount of \$1,000,000 at a wire transfer address which said Owners have provided to the Paying Agent not less than five business days prior to an Interest Payment Date, which wire instructions shall remain in effect until the Paying Agent is notified to the contrary).

(g) Certificates are authorized hereby to be issued in book-entry only form, with no physical distribution of Certificates made to the public. If a series of Certificates is issued as book-entry certificates, the following procedures shall apply thereto:

The series of Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity, in the aggregate principal amount of such maturity, and will be deposited with DTC.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants (which include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations), which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (a “**Beneficial Owner**”) is in turn to be recorded on the records of the Direct Participants and others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name

as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Principal and interest payments on the Certificates will be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

If (a) DTC determines not to continue to act as securities depository for the Certificates or (b) the Authority determines that the continuation of the book-entry system of evidence and transfer of ownership of the Certificates would adversely affect the interests of the Authority or the Beneficial Owners of the Certificates, the Authority shall discontinue the book-entry system with DTC. If the Authority fails to identify another qualified securities depository to replace DTC, the Authority will cause the Paying Agent to authenticate and deliver replacement Certificates in the form of fully registered Certificates to each Beneficial Owner.

If a book-entry system of evidence and transfer of ownership of the Certificates is discontinued pursuant to the provisions of this Section, the Certificates shall be delivered solely as fully registered Certificates without coupons in such denominations as shall be determined by the Authority, shall be lettered "R" and numbered separately from 1 upward, and shall be payable, executed, authenticated, registered, exchanged and canceled pursuant to the provisions of Article II hereof. In addition, the Authority will pay all costs and fees associated with the printing of the Certificates and issuance of the same in certificated form.

SO LONG AS CEDE & CO. OR SUCH OTHER DTC NOMINEE, AS NOMINEE FOR DTC, IS THE SOLE CERTIFICATE HOLDER, THE AUTHORITY AND THE REGISTRAR WILL TREAT CEDE & CO. OR SUCH OTHER NOMINEE AS THE ONLY OWNER OF THE CERTIFICATES FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE CERTIFICATES, RECEIPT OF NOTICES, VOTING, AND REQUESTING OR DIRECTING THE AUTHORITY OR THE PAYING AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE RESOLUTION. THE AUTHORITY HAS NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT OR INDIRECT

PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE CERTIFICATES; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO CERTIFICATE HOLDERS; OR (D) OTHER ACTION TAKEN BY DTC OR CEDE & CO. OR SUCH OTHER DTC NOMINEE, AS OWNER.

If Certificates are issued as book-entry certificates, the form of said Certificates shall contain the following text:

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Hospital Authority of Columbus, Georgia or its agent for registration of transfer, exchange, or payment, and any Certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

The Authority has established a Book Entry system of registration for this Certificate. Except as specifically provided otherwise in the hereinafter defined Resolution, Cede & Co., as nominee of DTC, will be the registered owner and will hold this Certificate on behalf of each beneficial owner hereof. By acceptance of a confirmation of purchase, delivery or transfer, each beneficial owner of this Certificate shall be deemed to have agreed to such arrangement. Cede & Co., as registered owner of this Certificate, will be treated as the owner of this Certificate for all purposes.

Section 203. Execution of Certificates. Certificates will be executed on behalf of the Authority with the manual or facsimile signature of the Chairman of the Authority and the seal of the Authority will be impressed, imprinted or otherwise reproduced thereon and attested by the manual or facsimile signature of the Secretary of the Authority.

If any officer whose manual or facsimile signature shall appear on the Certificates shall cease to be such officer before delivery of the Certificates, such signature, nevertheless, shall be valid and sufficient for all purposes the same as if such officer had remained in office until delivery, and the Certificates, nevertheless, may be issued and delivered as though the person whose signature appears on the Certificates had not ceased to be such officer. Any of the Certificates may be executed and sealed on behalf of the Authority by the manual or facsimile signatures of such officers who, at the time of the execution of the Certificates, may hold the proper offices of the Authority although on the date of the Certificates or on the date of any lawful proceedings taken in connection therewith such persons may not have held such offices.

Section 204. Authentication of Certificates. Each Certificate shall bear thereon a certificate of authentication substantially in the form hereinafter prescribed, executed by the Authentication Agent with a manually executed signature. Only such Certificates as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution and no Certificate shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Authentication Agent and such certificate of the Authentication Agent shall be conclusive evidence that the Certificate so authenticated has been duly authenticated, registered, and delivered under this Resolution and that the Owner thereof is entitled to the benefits of this Resolution. At such time as the Authentication Agent is a financial institution, the certificate of authentication on any Certificate shall be deemed to have been executed by such Authentication Agent if signed manually by an authorized officer of the Authentication Agent or its authorized representative or agent, but it shall not be necessary that the same officer or authorized representative or agent sign the certificate of authentication on all the Certificates.

Section 205. Mutilated, Lost, Stolen or Destroyed Certificates. If any Certificate is mutilated, lost, stolen or destroyed, the Authority will execute and deliver a new Certificate of like tenor as that mutilated, lost, stolen or destroyed, provided that, in the case of any such mutilated Certificate, such Certificate is first surrendered to the Registrar and, in the case of any such lost, stolen or destroyed Certificate, there is first furnished evidence of such loss, theft or destruction satisfactory to the Registrar, together with indemnity satisfactory to the Registrar. No service charge shall be made for any such transaction, but a charge may be made to cover any actual expense incurred. If any such Certificate shall have matured or become due, in lieu of issuing a duplicate Certificate the Authority may pay such Certificate without surrender thereof.

Section 206. Persons Treated as Owners of Certificates. The Authority and its agents, including the Paying Agent and Registrar, may deem and treat the Holder of any Certificate as the absolute Owner of such Certificate for the purpose of receiving payment of the principal thereof and the interest thereon and for all other purposes whatever. All such payments of principal, premium, if any, and interest made to any such Owner or upon such Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the Authority nor any such agent shall be affected by any notice to the contrary.

Section 207. Validation Certificate. A validation certificate of the Clerk of the Superior Court of Muscogee County, State of Georgia, bearing the manual or facsimile signature of said Clerk will be endorsed on each Certificate and will be essential to its validity.

Section 208. Registration; Transfer and Exchange of Certificates.

(a) The Certificates shall be registered as to both principal and interest on the registration book to be kept for that purpose by the Registrar. The Registrar will keep proper registration, exchange, and transfer records in which it shall register the name and address of the Owners of the Certificates.

(b) The Certificates may be transferred only on the register of the Registrar with respect to the Certificates. No transfer of any Certificate shall be permitted except upon presentation and surrender of such Certificate at the office of the Registrar with a written assignment signed by the Owner of such Certificate in person or by such Owner's duly authorized attorney in form and with guaranty of signature satisfactory to the Registrar.

(c) Upon surrender for registration of transfer of any Certificate to the Registrar, the Authority shall execute and the Authentication Agent shall authenticate and deliver to the transferee or transferees a new Certificate or Certificates for a like aggregate principal amount and maturity. Certificates may be exchanged at the office of the Registrar for a like aggregate principal amount of Certificates of authorized denominations and of like maturity. The execution by the Authority of any Certificate in any authorized denomination shall constitute full and due authorization of such denomination and the Registrar shall thereby be authorized to authenticate and deliver such Certificate. No charge shall be made to any Certificate holder for the privilege of registration of transfer or exchange, but the Certificate holder requesting any such registration of transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto.

Section 209. Limited Obligation.

(a) The Certificates shall not be payable from nor a charge upon any funds other than the funds pledged to the payment thereof and are payable solely from the funds provided therefor including the Gross Revenues of the Health Care System. The Certificates and any interest payment thereon shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Authority other than said funds and Gross Revenues.

(b) Neither the members of the Authority nor any person executing Certificates on behalf of the Authority shall be personally liable thereon by reason of the issuance thereof. Certificates and other obligations of the Authority shall not be a debt of any municipal corporation or county in the State, or of the State or any political subdivision thereof, or any combination of subdivisions acting jointly as provided in the Hospital Authorities Law.

Section 210. Records Maintenance. In every case of an exchange of Certificates and of the registration or transfer of any Certificate, the surrendered Certificates shall be held by the Registrar. All Certificates surrendered for exchange or registration of transfer shall be cancelled by the Registrar.

Section 211. Destruction of Cancelled Certificates. All Certificates paid, purchased or redeemed, either at or before maturity, shall be cancelled and delivered to the Registrar when such payment or redemption is made. All Certificates so cancelled shall be destroyed upon their delivery to the Registrar and record of such destruction shall be furnished to the Authority and preserved in the permanent records of the Authority.

Section 212. Form of Certificates. The Series 2013 Certificates and the certificate of validation and certificate of authentication to be endorsed thereon shall be in either typewritten or printed form in substantially the following terms and form, with such variations, omissions,

substitutions, and insertions as may be required in accordance with this Resolution to complete properly each Series 2013 Certificate and as may be approved by the officer or officers executing each Series 2013 Certificate by manual or facsimile signature, which approval shall be conclusively evidenced by such execution:

[FORM OF SERIES 2013 CERTIFICATES]

Unless this Series 2013 Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Hospital Authority of Columbus, Georgia or its agent for registration of transfer, exchange, or payment, and any Series 2013 Certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA
STATE OF GEORGIA

HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA
REVENUE ANTICIPATION CERTIFICATE, SERIES 2013

No. R-

CUSIP:

Maturity Date: _____
Interest Rate: _____
Principal Amount: _____
Certificate Date: [Date of Issuance and Delivery]
Registered Owner: Cede & Co.

The Hospital Authority of Columbus, Georgia (the "Authority"), a public body corporate and politic, duly created and existing pursuant to the Hospital Authorities Law of Georgia, codified in the Official Code of Georgia (O.C.G.A.) §31-7-70 through §31-7-96 (the "Hospital Authorities Law"), for value received hereby promises to pay or cause to be paid to the registered owner named above or its registered assigns, the principal amount specified above, solely from the special fund provided therefor as hereinafter set forth, on the maturity date specified above, and interest on such principal sum at the interest rate per annum specified above, payable on January 1 and July 1 of each year, commencing July 1, 2013 (each an "Interest Payment Date"), from the Certificate Date or from the most recent Interest Payment Date to which interest has been paid until payment is made of such principal sum in full.

The interest so payable on any Interest Payment Date will be paid to the person in whose name this Series 2013 Certificate is registered at the close of business on the 15th day of the calendar month preceding such Interest Payment Date (the "Record Date"); provided, however, that if and to the extent a default shall occur in the payment of interest due on said Interest Payment Date, such past due interest shall be paid to the persons in whose names outstanding Series 2013 Certificates are registered on a subsequent date of record established by notice given by mail by the Paying Agent to the holders of the Series 2013 Certificates not less than 30 days preceding such subsequent date of record. Both the principal of and interest on this Series 2013

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Certificate are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THE AUTHORITY HAS ESTABLISHED A BOOK ENTRY SYSTEM OF REGISTRATION FOR THIS SERIES 2013 CERTIFICATE, EXCEPT AS SPECIFICALLY PROVIDED OTHERWISE IN THE HEREINAFTER DEFINED RESOLUTION, CEDE & CO., AS NOMINEE OF DTC, WILL BE THE REGISTERED OWNER AND WILL HOLD THIS SERIES 2013 CERTIFICATE ON BEHALF OF EACH BENEFICIAL OWNER HEREOF. BY ACCEPTANCE OF A CONFIRMATION OF PURCHASE, DELIVERY OR TRANSFER, EACH BENEFICIAL OWNER OF THIS SERIES 2013 CERTIFICATE SHALL BE DEEMED TO HAVE AGREED TO SUCH ARRANGEMENT. CEDE & CO., AS REGISTERED OWNER OF THIS SERIES 2013 CERTIFICATE, WILL BE TREATED AS THE OWNER OF THIS SERIES 2013 CERTIFICATE FOR ALL PURPOSES.

This Series 2013 Certificate is one of a duly authorized series of certificates designated HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013 (the "Series 2013 Certificates"), of like date and tenor, except as to numbers, maturities, interest rates, and redemption provisions, issued in the aggregate principal amount of \$_____, to provide funds needed to pay the cost, in whole or in part, to (i) finance a portion of the cost of acquiring, constructing, and equipping a new Muscogee Manor and Rehabilitation Center of the Authority (the "New Facilities") to be located within the territorial limits of Columbus, Georgia, (ii) finance capitalized interest on the Series 2013 Certificates, and (iii) pay the costs of issuance. The Series 2013 Certificates are issued pursuant to authority of and in accordance with the provisions of the Constitution of the State of Georgia, the Hospital Authorities Law, the Revenue Bond Law of Georgia, codified in O.C.G.A. § 36-82-60 through § 36-82-85, the general laws of the State of Georgia, and the laws of the State of Georgia relating to the Authority, and was duly authorized by a resolution adopted by the Authority on January 17, 2013, as supplemented and amended by a supplemental resolution adopted on February_____, 2013 (together the "Resolution").

The principal of and premium, if any, and the interest on the Series 2013 Certificates are payable solely from, and are secured by a first and prior pledge or lien on, the gross revenues of the Muscogee Manor and Rehabilitation Center, Cobie Personal Care Home, Azalea Trace Nursing Center, and Muscogee Home Health (collectively, the "Current Facilities"), as they presently exist and are hereafter added to, extended, improved, and equipped, subject to the rights of the Authority to dispose or sell portions of its Current Facilities, as provided in the Resolution, and upon completion the new Muscogee Manor and Rehabilitation Center (the "New Facilities" and together with the Current Facilities, the "Health Care System"). Payment of the Certificates is further secured by certain payments which may be received pursuant the provisions of an intergovernmental contract between the Authority and Columbus, Georgia ("Columbus"), dated as of the date of initial issuance and delivery of the Series 2013 Certificates (the "Contract"). Pursuant to the Contract, Columbus, in consideration of the undertakings of the Authority to furnish certain care and facilities to the indigent elderly and disabled citizens of Columbus and otherwise to provide for certain public health and public welfare needs of Columbus, has agreed that should the gross revenues of the Health Care System be insufficient to pay the principal of and premium, if any and interest on the Certificates as the same become due and payable, it will promptly pay to the Authority for the purpose of paying such principal and premium, if any and interest the amount of such insufficiency. Columbus has agreed in the Contract to levy such annual taxes on the taxable property located within Columbus to the extent

required and with a limit of four (4) mills within the seven (7) mill limitation now prescribed by the Hospital Authorities Law. Columbus has agreed in the Contract that its obligations under any current contract for the provision of indigent care or any future contracts which it may hereafter enter into in accordance with the Hospital Authorities Law combined with its obligations to the Authority pursuant to the Contract, as the same is executed and delivered or as it may be hereafter amended, shall not exceed said seven (7) mill limitation currently prescribed in the Hospital Authorities Law or such greater limitation as may be hereafter prescribed by law.

The Contract also provides that subordinate to its obligation to make payments sufficient for the Authority to pay the principal of and premium, if any and interest on the Certificates as the same become due and payable principal of and premium, if any and interest on the Certificates as the same become due and payable, Columbus shall make additional payments to the Authority as may be necessary from time to time to assure the continued operation, maintenance, and repair of the Health Care System during the term of the Contract.

Neither the members of the Authority nor any person executing the Series 2013 Certificates on behalf of the Authority shall be personally liable thereon by reason of the issuance thereof. The Series 2013 Certificates do not constitute a debt of Columbus or any municipal corporation or county in the State of Georgia, or of the State of Georgia or any political subdivision thereof, or any combination of subdivisions acting jointly as provided in the Hospital Authorities Law.

Under certain conditions as provided in the Resolution, the Authority may issue additional revenue anticipation certificates ("Parity Certificates") which, if issued in accordance with such provisions, will rank *pari passu* with the Series 2013 Certificates with respect to the pledge of and the charge or lien on the gross revenues of the Health Care System. Reference to the Resolution is hereby made for a complete description of the funds charged with and pledged to the payment of the principal of and interest on the Series 2013 Certificates and any Parity Certificates (collectively, the "Certificates"), a complete description of the nature and extent of the security provided for the payment of the Certificates, a statement of the rights, duties, and obligations of the Authority, the rights of the owners of the Certificates, and the terms and conditions under which Parity Certificates may be issued, to all the provisions of which the owner hereof, by the acceptance of this Series 2013 Certificate, assents.

The Authority will not issue hereafter any other certificates or obligations of any kind or nature payable from or enjoying a charge or lien on the revenues of the Health Care System prior to the charge or lien herein created for the payment of the Series 2013 Certificates. Nothing contained herein or in the Resolution, however, shall restrict the issuance of additional certificates or obligations from time to time payable from the revenues of the Health Care System and secured by a charge or lien on such revenues junior and subordinate to the charge or lien created for payment of the Series 2013 Certificates.

The Sinking Fund, by the provisions of the Resolution, is pledged to and charged with the payment of the principal of and interest on the Certificates and any parity certificates hereafter issued.

The Resolution provides, *inter alia*, for prescribing, establishing, and revising rates and collecting fees and charges for the services and facilities furnished by the Health Care System, and made available to persons other than those certified to it by Columbus as indigent, sufficient in amount to provide funds to pay into a special fund, designated HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA SINKING FUND (the "Sinking Fund"), an amount sufficient, together with the investment income thereon, if any, to pay the principal of and the interest on the Certificates, as such principal and interest shall become due and be payable, and to pay the operating expenses of the Health Care System.

The Series 2013 Certificates maturing on July 1, 2024 and thereafter may be redeemed prior to their respective maturities at the option of the Authority, either in whole or in part (maturities to be designated by the Authority) at any time, beginning July 1, 2023 (if less than all of the Series 2013 Certificates of any maturity are to be redeemed, the actual Series 2013 Certificates of such maturity to be redeemed shall be selected by lot in such manner as the Registrar may determine), from any moneys available for such purpose as provided in the Resolution. Such redemption shall be made at a redemption price equal to 100% of the principal amount of each such Series 2013 Certificate to be redeemed plus accrued interest to the date of redemption.

The Series 2013 Certificates are subject to extraordinary redemption under the terms and conditions set forth in the Resolution.

[The Series 2013 Certificates maturing on _____ 1, 20____ are subject to scheduled mandatory redemption prior to maturity in part (the actual Series 2013 Certificates to be redeemed to be selected by lot in such manner as the Registrar may determine) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on _____ 1 in the years, and in the principal amounts set forth below (the _____ amount to be paid at maturity rather than redeemed):]

<u>Year</u>	<u>Principal Amount</u>
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[Any such redemption, either in whole or in part, shall be made following notice to the owners of the affected Series 2013 Certificates given not less than 30 days nor more than 60 days prior to the date fixed for redemption in the manner and upon the terms and conditions provided in the Resolution. If this Certificate or any portion hereof shall be called for redemption, interest shall cease to accrue on this Certificate or such portion hereof from and after the date fixed for redemption unless default shall be made in payment of the redemption price hereof upon presentation and surrender hereof; and, except as otherwise provided in the Resolution, the owner of this Certificate shall not be entitled to any rights under the Resolution except the right to receive payment, and this Certificate or the portion hereof so called shall not be considered to be outstanding. Upon surrender of this Certificate paid or redeemed in part only, the Authority shall execute and the Registrar shall deliver to the owner hereof, at the expense of the Authority,

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a new Series 2013 Certificates of the same type, of authorized denominations in the aggregate principal amount equal to the unpaid or unredeemed portion of this Certificate.]

The person in whose name this Series 2013 Certificate is registered shall be deemed and regarded as the absolute owner hereof for all purposes, and payment of or on account of either principal or interest made to such registered owner shall be valid and effectual to satisfy and discharge the liability upon this Series 2013 Certificate to the extent of the sum or sums so paid. This Series 2013 Certificate is registrable as transferred by the owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registrar, all subject to the terms and conditions of the Resolution.

To the extent permitted by the Resolution, modifications or alterations of the Resolution or of any resolution supplemental thereto, including any resolutions authorizing the issuance of Parity Certificates, may be made by the Authority. As provided in the Resolution, certain modifications or alterations of the provisions thereof or of any supplement thereto or of the Certificates may be made by the Authority with the consent of the owners of at least 55% in principal amount of the Certificates then outstanding without necessity for notation hereon or reference thereto.

This Series 2013 Certificate shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until it shall have been authenticated by the execution by the Authentication Agent of the certificate of authentication hereon.

This Series 2013 Certificate is issued with the intent that the laws of the State of Georgia shall govern its construction, and, in case of default, the owner hereof shall be entitled to the remedies provided by the Resolution and by all applicable laws.

It is hereby recited and certified that all acts, conditions, and things required to exist, happen, or be performed precedent to and in the issuance of this Series 2013 Certificate do exist, have happened, and have been performed in due and legal time, form, and manner as required by law.

IN WITNESS WHEREOF, the Hospital Authority of Columbus, Georgia has caused this Series 2013 Certificate to be executed by the manual or facsimile signature of its Chairman and its corporate seal to be hereunto impressed or reproduced and attested by the manual or facsimile signature of its Secretary, as of the day first above written.

HOSPITAL AUTHORITY
OF COLUMBUS, GEORGIA
(S E A L)

By: _____ (FORM)
Chairman

Attest: _____ (FORM)
Secretary

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER
OF ASSIGNEE

Please print or typewrite name and address, including postal zip code of transferee.

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ Agent to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Assignor

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Certificate in every particular, without alteration or enlargement or any change whatever.

Date: _____, 20____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by a member firm of the STAMP, SEMP or
MSP signature guarantee medallion programs.

[END OF FORM OF SERIES 2013 CERTIFICATES]

[END OF ARTICLE II]

(SEAL)

Clerk of Superior Court of Muscogee County

ARTICLE III

REDEMPTION OF CERTIFICATES BEFORE MATURITY

Section 301. Optional Redemption. Series 2013 Certificates maturing on July 1, 2024 and thereafter may be redeemed prior to their respective maturities at the option of the Authority, in whole or in part at any time, beginning July 1, 2023 (if less than all of the Series 2013 Certificates of a maturity are to be redeemed, the actual Series 2013 Certificates of such maturity shall be selected by lot in such manner as may be designated by the Registrar) from any moneys available therefor. Series 2013 Certificates which are subject to redemption are callable in such order as may be designated by the Authority. Such redemption shall be made upon payment of 100% of the principal amount of Series 2013 Certificates to be redeemed prior to maturity plus accrued interest to the redemption date.

Section 302. Scheduled Mandatory Redemption. The Series 2013 Certificates may be subject to scheduled mandatory redemption prior to their maturity on such terms and conditions and at such redemption prices as prescribed by supplemental resolution of the Authority adopted in accordance with Section 911.

Section 303. Extraordinary Redemption. The Series 2013 Certificates are subject to extraordinary redemption prior to maturity, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, if any of the following shall have occurred: (a) the Health Care System shall have been damaged or destroyed by fire or other casualty to such extent that, in the opinion of the Authority, (i) the Health Care System cannot be reasonably restored within a period of six (6) consecutive months to substantially the condition thereof immediately preceding such damage or destruction or (ii) the Health Care System is unfit for use for a period of six (6) consecutive months or (iii) the cost of reconstruction would exceed the total amount of net proceeds of insurance carried thereon by more than \$250,000; or (b) title to a substantial portion of the Health Care System shall fail or title to, or the temporary use of, a substantial portion of the Health Care System shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm, or corporation acting under governmental authority and such a failure of title or taking or takings result, in the opinion of the Authority, in the Health Care System being unfit for occupancy for a period of six (6) consecutive months.

Section 304. Notice of Redemption. Notice of any optional redemption or extraordinary redemption of Series 2013 Certificates pursuant to this Article shall be given by the Authority to the Registrar and Paying Agent at least 35 days prior to the date fixed for redemption and notice of any redemption of Series 2013 Certificates pursuant to this Article shall be given by the Registrar and Paying Agent one time not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Holders of each of the Series 2013 Certificates being called for redemption by first class or registered or certified mail as the Paying Agent shall determine is necessary at the address shown on the register of the Registrar as of 45 days prior to the date fixed for redemption. Said notice shall contain the complete official name of the Series 2013 Certificates, CUSIP number, certificate numbers, amounts called of each certificate (for partial calls), redemption date, redemption price, the Paying Agent's name and address (with contact person and phone number), date of issue of the Series 2013 Certificates, interest rate and

maturity date. Said notice shall also be given by certified mail, return receipt requested, or by electronic means, not less than 30 days nor more than 60 days prior to the date fixed for redemption, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System or as may be required by applicable law or regulation at the time of giving such notice; provided however, failure to give such notice shall not affect the validity of the proceedings for redemption. No transfer or exchange of any Series 2013 Certificates so called for redemption shall be allowed. In the event any Holder of any Series 2013 Certificate being redeemed pursuant to the provisions of this Article shall fail to present for redemption any such Series 2013 Certificate within sixty days after the date fixed for redemption, a second notice of the redemption of such Certificate shall be given to said owner at the address of said owner as shown on the register of the Registrar within ninety days after the date fixed for redemption. The failure of the Paying Agent to give such notice shall not affect the validity of the proceedings for the redemption of any Series 2013 Certificate as to which no such failure occurred. Any notice mailed or delivered as provided in this Section shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Section 305. Effect of Redemption Call. Notice having been given in the manner and under the conditions prescribed herein, and moneys for the payment of the redemption price being held by the Paying Agent, all as provided in this Resolution, the Certificates or the portion thereof so called for redemption shall become and be due and payable on the redemption date designated in such notice at the redemption price provided for redemption of such Certificates on such date. Interest on the Certificates or the portion thereof so called for redemption shall cease to accrue from and after the date fixed for redemption unless there shall be a failure to make payment of the redemption price thereof upon presentation and surrender thereof. Such Certificates shall cease to be entitled to any lien, benefit or security under this Resolution and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the redemption price thereof and such Certificate or the portion thereof so called shall not be considered to be Outstanding. Upon surrender of such Certificate paid or redeemed in part only, the Authority shall execute and the Registrar shall deliver to the Owner thereof, at the expense of the Authority, a new Certificate or Certificates of the same type, of authorized denominations in the aggregate principal amount equal to the unpaid or unredeemed portion of the Certificate.

Section 306. Redemption of Parity Certificates. Parity Certificates may be made subject to redemption either mandatorily or at the option of the Authority prior to maturity at the times and upon such terms and conditions as may be prescribed in the respective resolutions of the Authority supplemental to this Resolution relating to such Parity Certificates. If Parity Certificates are issued hereafter, such Parity Certificates of any such future issue or issues may be redeemed in whole or in part before the maturity of any other series of Certificates, subject to the Sinking Fund requirements herein prescribed, and subject to the call provisions of such future issue of Parity Certificates.

Section 307. Purchase of Certificates in Market. Nothing herein contained shall be construed to limit the right of the Authority to purchase Certificates in the open market, at a price not exceeding the then applicable redemption price of the Certificates to be acquired, or at a price not exceeding par and accrued interest for Certificates not then subject to redemption, from funds in the Sinking Fund, subject to the Sinking Fund requirements herein prescribed or from

any moneys which may be available for such purpose. Any such Certificates so purchased shall not be reissued and shall be cancelled.

[END OF ARTICLE III]

ARTICLE IV

APPLICATION OF PROCEEDS; CONSTRUCTION FUND

Section 401. Application of Proceeds. Concurrently with the delivery of the Series 2013 Certificates to the initial purchaser or purchasers thereof, the Authority shall apply the proceeds derived from the sale of the Series 2013 Certificates in the following manner:

(a) A portion of the proceeds shall be used to pay all Costs of Issuance at closing directly to those persons who shall be entitled to the same, or an amount sufficient to pay all or a portion of the same may be deposited in (i) a Costs of Issuance Account, from which the Costs of Issuance shall be disbursed in accordance with Section 402 hereof to those persons who shall be entitled to the same, or (ii) the Construction Fund and paid therefrom to those persons who shall be entitled to the same. At such time as all Costs of Issuance have been paid, any moneys remaining in a Costs of Issuance Account shall be transferred to the Construction Fund;

(b) All capitalized interest received on the Series 2013 Certificates shall be deposited into either the Sinking Fund or the Construction Fund to be used and applied toward the payment of interest coming due on the Series 2013 Certificates through July 1, 2015.

(c) All costs of the New Facilities incurred by the Authority prior to the issuance of the Series 2013 Certificates, which may be reimbursed from proceeds of the Series 2013 Certificates in compliance with Treasury Regulations Section 1.150-2, shall be reimbursed; and

(d) The balance of the proceeds from the sale of the Series 2013 Certificates shall be deposited in the Construction Fund.

Section 402. Costs of Issuance Account. A special account is hereby authorized to be created and established, in the discretion of the Authority, with a custodian to be designated by the Authority, prior to the issuance and delivery of each series of Certificates, said account to be designated the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA COSTS OF ISSUANCE ACCOUNT, SERIES 2013 (the "Costs of Issuance Account").

(a) If created, said account shall be held separate and apart from all other deposits or funds of the Authority and moneys, if any, deposited into a Costs of Issuance Account upon the issuance of a series of Certificates shall be disbursed to pay, or reimburse the Authority for, all or a portion of the Costs of Issuance of a series of Certificates.

(b) Disbursements from the Costs of Issuance Account shall not require a requisition, but shall require an invoice for such payment. The Authority shall keep and maintain adequate records pertaining to the Costs of Issuance Account and all disbursements therefrom.

(c) Moneys on deposit in a Costs of Issuance Account may be invested, pending disbursement or use, in accordance with Section 606(a).

Section 403. Construction Fund.

(a) A construction fund is hereby authorized to be created prior to or concurrently with the issuance and delivery of the Series 2013 Certificates, said fund to be designated the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA CONSTRUCTION FUND (the "Construction Fund"). The Construction Fund shall be maintained by the Authority until completion of the New Facilities with such bank or banks as shall be so designated from time to time by the Authority (the "Construction Fund Depository"). There shall be deposited to the credit of the Construction Fund proceeds from the sale of the Series 2013 Certificates as set forth in Section 401(d) and any other funds received by grant, donation or otherwise to finance the New Facilities. The Authority is authorized to establish within the Construction Fund such subaccounts as may be necessary to properly identify the source of the deposits therein.

(b) Such moneys as are deposited in the Construction Fund shall be held by the Construction Fund Depository and withdrawn only in accordance with the provisions and restrictions set forth in this Resolution, and the Authority will not cause or permit to be paid therefrom any sums except in accordance herewith; provided, however, that any moneys in the Construction Fund not needed at the time for the payment of current obligations during the course of the acquisition and construction of the New Facilities, may be invested and reinvested by the Construction Fund Depository, upon direction of the Authority, in such investments as are set forth in Section 606(a) of this Resolution. Any such investments shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the Construction Fund, and shall be held by said Custodian for the account of the Construction Fund until maturity or until sold, and at maturity or upon such sale, the proceeds received therefrom, including accrued interest and premium, if any, shall be immediately deposited by said Custodian in the Construction Fund and shall be disposed of in the manner and for the purposes hereinafter provided.

Section 404. Lien on Construction Fund for Series 2013 Certificateholders. All proceeds from the sale of the Series 2013 Certificates, and any securities in which such proceeds may be invested, which are held in or for the Construction Fund shall be subject to a lien and charge in favor of the Holders of the Series 2013 Certificates and shall be held for the security of such Holders until paid out as hereinafter provided.

Section 405. Authorized Construction Fund Disbursements. Withdrawals from the Construction Fund may be made for the purpose of paying the cost of acquiring, constructing, and equipping the New Facilities, including reimbursing the Authority for advances from its other funds to accomplish the purposes hereinafter described and including the purchase of such property and equipment as may be useful in connection therewith, and, without intending thereby to limit or to restrict or to extend any proper definition of such cost contained in the Hospital Authorities Law relating to expenditure of proceeds of the sale of revenue anticipation certificates, shall include:

(a) The cost of indemnity and fidelity bonds either to secure deposits in the Construction Fund or to insure the faithful completion of any contract pertaining to the New Facilities;

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(b) Any taxes or other charges lawfully levied or assessed against the New Facilities;

(c) Fees and expenses of architects, engineers for engineering studies, surveys and estimates, and the preparation of plans and supervising the acquisition, construction and equipping of the New Facilities;

(d) All other items or expenses not elsewhere in this Section specified incident to the New Facilities;

(e) Payments made for labor, contractors, builders and materialmen in connection with the New Facilities and payment for machinery and equipment and for the restoration of property damaged or destroyed in connection therewith and the repayment of advances made to it for the purpose of paying any of the aforementioned costs;

(f) The cost of acquiring by purchase, and the amount of any award or final judgment in any proceeding to acquire by condemnation, lands and rights-of-way necessary for the New Facilities and appurtenances in connection therewith, and options and payments thereon, and any easements or rights-of-way or any damages incident to or resulting from the acquisition, construction and equipping of the New Facilities; and

(g) Costs of Issuance.

Section 406. Requisition Procedure. All payments from the Construction Fund shall be made upon checks signed by the Authority Representative, but before such person shall sign any such checks (other than checks issued in payment for the Costs of Issuance which shall not require the hereinafter described requisition and certificate but shall require an invoice for such payment) there shall be filed with the Authority:

A requisition and certificate signed by the Project Superintendent certifying:

(i) each amount to be paid and the name of the person, firm or corporation to whom payment thereof is due;

(ii) that an obligation in the stated amount has been incurred by the Authority, that the same is a proper charge against the Construction Fund and has not been paid, and stating that the bill, invoice or statement of account for such obligation, or a copy thereof, is on file in the office of the Project Superintendent;

(iii) that the Project Superintendent has no notice of any vendor's, mechanic's or other liens or rights to liens, chattel mortgages or conditional sales contracts which should be satisfied or discharged before such payment is made;

(iv) that such requisition contains no item representing payment on account or any retained percentages (other than any percentages required by the State to be retained) which the Authority, at the date of such certificate, is entitled to retain; and

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(c) The contractor shall either require each of his subcontractors to procure and to maintain during the life of his subcontract, Subcontractor's Public Liability and Property Damage Insurance of the type and in the same amounts as specified in the contractor's policy, or insure the activities of his subcontractors in his own policy.

(d) The insurance required under subparagraphs (b) and (c) hereof shall provide adequate protection for the contractor and his subcontractors, respectively, against damage claims which may arise from operations under the contract, whether such operations be by the insured or by anyone directly or indirectly employed by him.

(e) The contractor shall procure and shall maintain during the life of its contract, Builder's Risk Insurance (Fire and Extended Coverage) on a 100% completed value basis on the insurable portions of the New Facilities. The Authority, the contractor and subcontractors, as their interests may appear, shall be named as the insured.

(f) The contractor shall furnish the Authority with certificates showing the type, amount, class of operations covered, effective date and dates of expiration of all policies. Such certificates shall also provide that the insurance covered by the certificate will not be cancelled or materially altered, except after ten days written notice has been received by the Authority.

Section 410. Performance and Payment Bonds. The Authority shall require the contractor to furnish a performance bond in an amount at least equal to 100% of the contract price as security for the faithful performance of his contract and also a payment bond in an amount not less than 100% of the contract price as security for the payment of all persons performing labor on the New Facilities under his contract and furnishing materials in connection with his contract.

Section 411. Completion of the New Facilities. When the acquisition, construction, and equipping of the New Facilities has been completed, said fact shall be evidenced by a certificate to the Authority from the Project Superintendent to such effect specifying the date of completion. Should there be any balance in the Construction Fund which is not needed to defray proper charges against said fund which have not been paid, such balance shall be transferred to the Sinking Fund and used to the extent available for payment or redemption of the Series 2013 Certificates, or otherwise applied in accordance with State law.

[END OF ARTICLE IV]

(v) that insofar as such obligation was incurred for work, material, supplies or equipment in connection with the Health Care System, such work was actually performed, or such material, supplies or equipment was actually installed in or about the construction or delivered at the site of the work for that purpose.

Section 407. Other Disbursements from the Construction Fund.

(a) If the United States of America or the State, or any department, agency or instrumentality of either, agrees to allocate moneys to be used to defray any part of the cost of acquiring, constructing, and equipping the New Facilities upon the condition that the Authority appropriate a designated amount of money for said specified purpose or purposes, and it is required to withdraw any sum so required from the Construction Fund and to deposit the same in a special account, the Authority shall have the right to withdraw any sum so required from the Construction Fund by appropriate transfer and deposit the same in a special account for that particular purpose; provided, however, that all payments thereafter made from said special account may only be made in accordance with the requirements set forth in this Article.

(b) Withdrawals for investment purposes only (including authorized deposits with other banks) may be made by the Construction Fund Depository to comply with written directions from an officer of the Authority without any requisition other than said direction.

Section 408. Other Construction Covenants. The Authority shall do all things, and take all reasonable and prudent measures necessary to continue construction with due diligence and to expend the moneys deposited in the Construction Fund as expeditiously as possible in order to assure the completion of the New Facilities on the earliest practicable date, and will insure itself against the usual hazards incident to the construction of such a capital project.

Section 409. Insurance During Construction. Any contract relating to construction of the New Facilities shall provide that:

(a) The contractor shall procure and shall maintain during the life of his contract Workers' Compensation Insurance as required by applicable state law for all of his employees to be engaged in work at the site of the New Facilities under his contract and, in case of any such work sublet, the contractor shall require the subcontractor similarly to provide Workers' Compensation Insurance for all of the latter's employees to be engaged in such work unless such employees are covered by the protection afforded by the contractor's Workers' Compensation Insurance. If any class of employees is engaged in hazardous work on the New Facilities under such contract is not protected under the Workers' Compensation Statute, the contractor shall provide or shall cause such subcontractor to provide adequate employer's liability insurance for the protection of such of his employees as are not otherwise protected.

(b) The contractor shall procure and shall maintain during the life of his contract adequate contractor's public liability insurance, adequate vehicle liability insurance, and adequate contractor's property damage insurance.

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ARTICLE V

THE CONTRACT; REVENUES AND FUNDS; PARITY CERTIFICATES; DEFEASANCE

Section 501. The Contract

(a) Prior to or concurrently with the issuance of the Series 2013 Certificates, the Authority shall enter into the Contract with Columbus, pertaining, in part, to the issuance and delivery of the Series 2013 Certificates, the undertakings by the Authority to acquire, construct, and install the New Facilities, the rendering of nursing home, rehabilitation services and personal home care and services for the indigent of Columbus and others requiring the same, and the payment thereof. Under the terms of the Contract, if the Gross Revenues of the Health Care System are insufficient to pay the Debt Service on the Certificates as the same becomes due and payable, Columbus will pay to the Authority or for the account of the Authority in a timely manner for the purpose of paying such Debt Service the amount of such insufficiency. The Contract also provides that Columbus will pay to the Authority from time to time the amount of any deficiency experienced by the Authority in meeting the cost of operating, maintaining, and repairing the Health Care System from all other revenues thereof.

(b) Any payments received by the Authority from Columbus pursuant to the Contract for payment of Debt Service on the Certificates shall be deposited immediately upon receipt into the Sinking Fund, to be held in trust for the purpose of paying the Debt Service on the Certificates. Any payments made by Columbus pursuant to the Contract to defray the cost of operating, maintaining, and repairing the Health Care System shall be deposited in the Revenue Fund and then applied to such purposes or they may be directly applied to such purposes.

(c) The aforesaid payments from Columbus to assure timely payment of the Debt Service on the Certificates shall be and hereby are made subject to a first and paramount lien thereon for the purpose of paying such Debt Service and said payments shall be subject to the lien and pledge hereby created without the physical delivery thereof or any further action by the Authority, and the lien of this pledge shall be valid and binding against the Authority and against all Persons having claims of any kind against said Authority whether such claims arise out of tort, contract or otherwise and irrespective of whether such Persons have notice thereof.

Section 502. Funds and Accounts

(a) **Revenue Fund.** There is hereby created a special fund designated HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE FUND (the "Revenue Fund"). The Authority will maintain the Revenue Fund separate and apart from other funds of the Authority so long as any Certificates are outstanding and unpaid or until provision shall have been duly made for the payment thereof, and will continue to deposit the Gross Revenues of the Health Care System into the Revenue Fund, promptly as received, and such revenue will be disbursed in the manner and order set forth in this Article V. The Authority is authorized to establish within the Revenue Fund such subaccounts as may be necessary to properly account for the revenues from the Health Care System.

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Section 503. Flow of Funds. The Gross Revenues of the Health Care System shall be disbursed from the Revenue Fund in the following order:

(a) First, there will be paid from the Revenue Fund into the Sinking Fund, on or before the 20th day of each month, for the purpose of paying the annual Debt Service Requirement on the Certificates coming due in the current Sinking Fund Year, the following amounts:

(i) beginning with the month of delivery of a series of Certificates and continuing from month to month thereafter until the first Interest Payment Date for such series, the monthly pro rata amount of interest coming due on the first Interest Payment Date for such series, deducting, however, the amount of capitalized interest, if any, received from the sale of such series and allocable to the payment of interest on the Certificates due on the next Interest Payment Date;

(ii) beginning with the month of the first Interest Payment Date for a series of Certificates and from month to month thereafter, an amount equal to one-sixth (1/6) of the interest coming due on such series of Certificates on each Interest Payment Date thereafter, deducting, however, the amount of capitalized interest, if any, received from the sale of such series and allocable to the payment of interest on the Certificates due on the next Interest Payment Date;

(iii) beginning with the month following the month in which a series of Certificates is issued and delivered, and continuing from month to month thereafter, an amount equal to one-twelfth (1/12) of the principal of such series of Certificates coming due (whether by maturity, scheduled mandatory redemption, or otherwise) on the next succeeding Principal Payment Date.

Funds on deposit in the Sinking Fund in excess of the amount required to make the above described installments shall be credited against the monthly installments next payable to the Sinking Fund until said excess funds are depleted.

On July 2 in each year, all cash and investments in the Sinking Fund shall be transferred therefrom to the Revenue Fund prior to deposit into the Sinking Fund of the amounts required to be deposited therein for the month of July in such year.

(b) If the Authority shall have created a Debt Service Reserve Fund, the provisions of this Subparagraph (b) of Section 503 shall apply. If the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, there will next be paid from the Revenue Fund into the Debt Service Reserve Fund, on or before the 20th day of each month, for the purpose of maintaining a reserve equal to the Debt Service Reserve Requirement, substantially equal monthly payments as shall be sufficient to equal or restore the Debt Service Reserve Requirement within 12 months; provided that no payments shall be required to be made into the Debt Service Reserve Fund whenever and as long as the amount of money and/or a Debt Service Reserve Credit Instrument deposited therein equal the Debt Service Reserve Requirement.

(b) **Sinking Fund.** There is hereby created a special fund designated the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA SINKING FUND (the "Sinking Fund"). The Authority will maintain the Sinking Fund for so long as Certificates are outstanding and unpaid as a trust account with the Sinking Fund Custodian, separate and apart from other funds of the Authority, to be used exclusively for paying Debt Service on the Certificates.

The Authority will make the monthly payments to the Sinking Fund hereinafter prescribed in this Section until sufficient funds are on hand to pay the Debt Service Requirement, or until provision for the payment of the Certificates shall have been made in accordance with the provisions of this Resolution and, if, in any month, for any reason, the Authority shall fail to pay all or any part of the money it has herein agreed to pay into the Sinking Fund, the amount of any such deficiency will be added to and will become a part of the amount due and payable into the Sinking Fund in the next succeeding month, and if, on the date of delivery of a series of Certificates, any of the Sinking Fund payments provided for herein shall be due and shall have not been made, such payments shall be made to the Sinking Fund concurrently with such delivery.

(c) **Reserve Fund.** The Authority, in its discretion, may establish and maintain a special fund designated the DEBT SERVICE RESERVE FUND (the "Debt Service Reserve Fund"), which, if established, shall be maintained for the purpose of paying, and may be used at any time to pay, the Debt Service on Certificates coming due as to which there otherwise would be a default.

(d) **Capital Improvement Fund.** There is hereby created a special fund designated HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA CAPITAL IMPROVEMENT FUND (the "Capital Improvement Fund"). The Authority will maintain the Capital Improvement Fund for so long as Certificates are outstanding and unpaid, and thereafter at the discretion of the Authority, as a trust account with the Capital Improvement Fund Custodian, separate and apart from other funds of the Authority. Moneys in said fund may be used for the following purposes and no others:

(i) anything herein to the contrary notwithstanding, first to pay Debt Service on the Certificates when money for such purpose is not otherwise available in the Sinking Fund;

(ii) to pay any unforeseen expenses of operating, maintaining, and repairing the Health Care System (including the payment of claims);

(iii) to pay the cost of adding to, extending, improving, replacing, and renovating the Health Care System; and

(iv) for any other lawful corporate purpose of the Authority.

Upon the issuance of Parity Certificates, the Authority may fund the additional Debt Service Reserve Requirement thereby incurred (i) with proceeds from the sale of such Parity Certificates, (ii) by making equal monthly installments to the Debt Service Reserve Fund over a period no longer than five years from the date of issuance of such Parity Certificates, (iii) with the deposit of a Debt Service Reserve Credit Instrument to the Debt Service Reserve Fund, or (iv) any combination of the procedures described in (i) through (iii).

Any Debt Service Reserve Credit Instrument deposited in the Debt Service Reserve Account must (i) have a credit rating issued by a Rating Agency upon issuance not less than the current rating on the Certificates, (ii) have a term not less than the final maturity date of the applicable series of Certificates (or may be drawn upon in full upon its expiration or termination date in the event it expires or terminates for any reason prior to the final maturity of the applicable series of Certificates if a substitute Debt Service Reserve Credit Instrument is not in place prior to its expiration or termination date), and (iii) be given to secure, and be payable on any Interest Payment Date in an amount equal to, any portion of the balance then required to be maintained within the Debt Service Reserve Account. Before any such Debt Service Reserve Credit Instrument is substituted for cash deposited in lieu of cash in the Debt Service Reserve Account, there shall be filed with the Sinking Fund Custodian (A) an opinion of Bond Counsel to the effect that such substitution or deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Certificate; (B) a certificate evidencing that at least 30 days prior notice of the proposed substitution or deposit of such Debt Service Reserve Credit Instrument was given to each Rating Agency, including a description of such Debt Service Reserve Credit Instrument and the proposed date of substitution or deposit; and (C) the Debt Service Reserve Credit Instrument, together with an opinion of counsel to the issuer of the Debt Service Reserve Credit Instrument to the effect that the Debt Service Reserve Credit Instrument is valid and enforceable in accordance with its terms. Notwithstanding anything to the contrary contained in this Resolution, this Resolution may be amended without notice to or the consent of the owners of the Certificates to provide for any additional provisions required by the issuer(s) of such Debt Service Reserve Credit Instrument; provided, however, that there shall be first delivered an opinion of Bond Counsel to the effect that such additional provisions are not materially adverse to the rights or security of the owners of the Certificates provided by this Resolution.

To the extent the Authority causes to be deposited into the Debt Service Reserve Fund a Debt Service Reserve Credit Instrument, such Debt Service Reserve Credit Instrument shall be payable (upon the giving of notice as required thereunder) on any Interest or Principal Payment Date on which a deficiency exists; provided, that prior to drawing on such Debt Service Reserve Credit Instrument, the Authority shall first satisfy any such deficiency from any moneys in the Debt Service Reserve Fund available for such purpose. If a draw is made on any Debt Service Reserve Credit Instrument, the Authority shall be obligated to reinstate the maximum limits of such Debt Service Reserve Credit Instrument from the first moneys in the Revenue Fund thereafter available and not required to be used to make the monthly payments to the Sinking Fund. If there is a draw on any Debt Service Reserve Credit Instrument, (A) the Authority shall make, on a pro rata basis, all payments to issuers of any Debt Service Reserve Credit Instrument as a repayment of such draw (if there is more than one Debt Service Reserve Credit Instrument issuer, such payments shall be made on a pro rata basis to each Debt Service Reserve Credit Instrument issuer based upon the amount drawn and not reimbursed under each Debt Service

Reserve Credit Instrument), and (B) upon making full repayment to all issuers of Debt Service Reserve Credit Instruments, the Authority thereafter shall make payments into the Debt Service Reserve Fund, to the extent that the then required balance of the Debt Service Reserve Fund exceeds the aggregate of the amount available to be drawn on all Debt Service Reserve Credit Instruments, and any moneys then on deposit in the Debt Service Reserve Fund. If moneys are taken from the Debt Service Reserve Fund for the payment of Debt Service on the Certificates, the moneys so taken shall be replaced in the Debt Service Reserve Fund from the first moneys in the Revenue Fund thereafter available and not required to be used to make the monthly payments to the Sinking Fund or to reinstate the maximum limits of the Debt Service Reserve Credit Instrument so that such moneys, together with the Debt Service Reserve Credit Instrument, shall equal the Debt Service Reserve Requirement.

At any time when the balance in the Debt Service Reserve Fund, including any amounts available under a Debt Service Reserve Credit Instrument, is less than the Debt Service Reserve Requirement, all interest income derived from investment of funds in the Debt Service Reserve Fund shall be retained in the Debt Service Reserve Fund until the balance in said account equals the Debt Service Reserve Requirement. Otherwise, said interest income shall be transferred to the Sinking Fund upon receipt thereof and credited against the next succeeding monthly payment to be made into the Sinking Fund with respect to Debt Service on the Certificates.

(c) Next, the Operating Expenses will be paid from the Revenue Fund.

(d) After there have been paid from the Revenue Fund the sums required or permitted to be paid pursuant to the provisions of paragraphs (a), (b), and (c) above, there shall next be paid from the Revenue Fund such payments as may be required to pay the principal of and interest on junior lien obligations and any other obligations the debt service on which is paid from revenues of the Health Care System.

(e) After fulfilling all the requirements set out in the foregoing provisions of paragraphs (a), (b), if applicable, (c), and (d) of this Section, and after retaining in the Revenue Fund an amount of money estimated to be sufficient to pay the anticipated Operating Expenses in the next succeeding month, the Authority shall transfer, on a monthly basis, any balance remaining in the Revenue Fund into the Capital Improvement Fund.

At such time as all outstanding Certificates are paid or deemed paid in full, the Authority in its discretion may discontinue use of the Capital Improvement Fund, in which event such funds as from time to time shall remain in the Revenue Fund after the payment of all amounts hereinabove required to be paid may be withdrawn from the Revenue Fund and used by the Authority for any lawful purpose; provided, however, that due provision has been made for reasonable working capital and that the payments required to be made into the Sinking Fund have been made.

Section 504. Gross Revenues Pledged to Certificates. The Authority will hold the Gross Revenues in trust under the terms and conditions hereof, and, to the extent herein provided, all such funds hereby are pledged to secure the payment of the amounts herein agreed to be paid for the payment of Debt Service on the Certificates, and the Authority hereby pledges

Section 508. Priority of Certificates Preserved. The Authority will not issue hereafter any other certificates or obligations of any kind or nature payable from or enjoying a charge or lien on the Gross Revenues prior to the charge or lien herein created for the payment of the Certificates. Nothing contained herein, however, shall restrict the issuance of additional certificates or obligations from time to time payable from the revenues of the Health Care System and secured by a charge or lien on such revenues junior and subordinate to the charge or lien herein created.

Section 509. Parity Certificates. Parity Certificates may be issued from time to time payable from the Sinking Fund and ranking as to lien on the Gross Revenues of the Health Care System *pari passu* with the Certificates then outstanding, provided all the following conditions are met:

(a) The Authority shall pass proper proceedings authorizing the issuance of such Parity Certificates, which proceedings shall provide, among other provisions, for the date, the rate or rates of interest, maturity dates, and redemption provisions of such Parity Certificates, and the interest on such Parity Certificates, if fixed, shall fall due on January 1 and July 1 of each year, and the principal of such Parity Certificates shall mature in installments on July 1 (but not necessarily in each year, or in equal installments), and provided further, that any such proceeding or proceedings shall restate and reaffirm by reference all of the applicable terms, conditions, and provisions of this Resolution. Any such proceeding or proceedings shall require an increase in the monthly payments then being made into the Sinking Fund to the extent necessary to pay the Debt Service on all Certificates then outstanding and on the Parity Certificates proposed to be issued.

(b) Columbus shall have entered into an amendatory contract with the Authority reaffirming all applicable provisions of the Contract, making all such provisions fully applicable to the Parity Certificates proposed to be issued, and enlarging and extending the payments to be made by Columbus to the Authority for deposit to the Sinking Fund to the extent necessary to pay the Debt Service on all Outstanding Certificates and on the Parity Certificates then proposed to be issued as the same mature.

(c) A maximum millage of four (4) mills based upon the taxable value of property within the territorial limits of Columbus subject to taxation for such purposes as shown in the latest tax digest, shall be capable of producing funds in an amount at least equal to 1.20 times the maximum combined amount, for any succeeding Sinking Fund Year, of principal and interest coming due on (i) Certificates then outstanding and the Parity Certificates then proposed to be issued and (ii) any other obligations then outstanding and any other obligations then proposed to be issued, the debt service on which Columbus has agreed to provide for through the levy of ad valorem taxes pursuant to the Hospital Authorities Law; provided, however, that with respect to any such Certificates or other obligations for which a sinking fund is established or for which scheduled mandatory redemption is required, the amount of principal coming due in any Sinking Fund Year shall be determined by reference to the amounts required to be deposited in such year in the sinking fund established therefor or the principal amount of such Certificates or other obligations to be retired by scheduled mandatory redemption in such year and not be reference to the aggregate principal amount of such Certificates or other obligations due on such dates; and

such revenue to secure the payment of such amounts. The revenues so pledged shall be immediately subject to the charge or lien of this pledge without any physical delivery thereof or other act, and the charge or lien of this pledge shall be valid and binding against the Authority and against all parties having claims of any kind against the Authority whether such claims shall have arisen from a tort, contract, or otherwise and irrespective of whether such parties have notice of such pledge.

Section 505. Method of Transfer from the Revenue Fund. All transfers from the Revenue Fund, and all payments from the Revenue Fund, shall be made by checks or other instruments or by wire transfers authorized by an officer of the Authority duly authorized for such purpose.

Section 506. Additional Deposits to Sinking Fund. Nothing contained herein shall be construed to prohibit the Authority, at its option, from making additional deposits or payments into the Sinking Fund from any funds which may be made available for such purpose.

Section 507. Disbursements from Sinking Fund.

(a) Subject to the terms and conditions set forth in this Resolution, moneys in the Sinking Fund shall be disbursed for:

(i) the payment of the interest on Certificates as such interest becomes due and payable;

(ii) the payment of the principal of Certificates as the same becomes due and payable, either at maturity or by proceedings for scheduled mandatory redemption;

(iii) the redemption of Certificates before maturity at the price and under the conditions provided therefor in Article III hereof; and

(iv) the purchase in the open market, at prices not to exceed the then applicable redemption price or par plus accrued interest on Certificates not then subject to redemption.

(b) (i) During such time as the Paying Agent for a series of Certificates is a bank or trust company, on or prior to each Interest Payment Date, the Authority shall pay or cause to be paid to the Paying Agent, from moneys on deposit in the Sinking Fund, such sums as are required to pay the Debt Service Requirement coming due on the Certificates on such date.

(ii) During such time as the Secretary is the Paying Agent for a series of Certificates, not less than one business day prior to each Interest Payment Date, the Secretary, as Paying Agent, shall ascertain whether amounts sufficient to make the principal and/or interest payment due on such Interest Payment Date are on deposit in the Sinking Fund, and, if so, shall make appropriate arrangements with the Sinking Fund Custodian for the transfer of such sufficient amount to the Secretary, as Paying Agent, in order to effect timely payment of said series of Certificates on such Interest Payment Date in accordance with the terms thereof.

provided, further, that with respect to Variable Rate Certificates, the amount of interest coming due in any Sinking Fund Year shall be calculated at a rate equal to the highest rate which could be borne by such Certificates.

(d) An independent certified public accountant (or firm thereof) shall issue its report to the Authority that as of a date not more than 90 days prior to the adoption of proceedings authorizing the issuance of Parity Certificates (i) the payments covenanted to be made into the Sinking Fund, as the same may have been enlarged in any proceeding thereto taken authorizing the issuance of Parity Certificates, are being timely made in the full amounts required (ii) the Sinking Fund is at its proper balance, and (iii) based upon an affidavit from the Tax Commissioner of Muscogee County as to the taxable value of property located within the territorial limits of Muscogee County, the requirements set forth in subparagraph (c) above have been met.

(e) The proceeds of any Parity Certificates authorized to be issued must be used only for the purpose of adding to, extending, and improving the Health Care System and its related properties (including, but not limited to, the acquisition, construction, and equipping of such building or buildings and structures and appurtenances pertaining thereto as may be deemed necessary to afford more adequate, useful, and convenient facilities for the proper control and administration of the functions of the Health Care System) and/or to redeem or refund any one or more series of Certificates previously issued under this Resolution, or other obligations relating to the Health Care System, and paying the usual and necessary expenses incurred and to be incurred incident to accomplishing any of the foregoing, including, without limitation, the costs of lands, rights-of-way, contract rights, franchises and easements.

(f) The Authority shall adopt proper proceedings reciting that all of the above requirements have been met, shall authorize the issuance of the Parity Certificates, shall provide in such proceedings that such Parity Certificates shall be secured under and pursuant to this Resolution, and shall provide in such proceedings, among other things, the date, rate or rates of interest, maturity dates, redemption provisions and registration provisions for such Parity Certificates. Any such Parity Certificates may be issued under or pursuant to a trust indenture and, in such event, the proceedings authorizing the issuance of such Certificates shall make appropriate provisions for the transfer of moneys on deposit in the Sinking Fund to the trustee in sufficient time for the payment of debt service on such Parity Certificates, and shall provide in such proceedings, among other things, the date, rate or rates of interest, maturity dates, redemption provisions and registration provisions for such Parity Certificates, but nothing contained herein shall require any of the funds to be held by such trustee. The proceedings for such Parity Certificates may contain additional covenants with respect to the maintenance and operation of the Health Care System and additional restrictions on the issuance of Parity Certificates, which covenants and restrictions shall, so long as, but only so long as, such Parity Certificates remain outstanding, be for the benefit of any other Certificates secured by this Resolution. In the event Parity Certificates are secured hereunder and issued pursuant to a trust indenture, the trustee thereunder shall for purposes of this Resolution, in accordance with the provisions of such trust indenture, exercise the rights and remedies of the owners of such Parity Certificates. Subject to the provisions of Article III, it shall not be necessary that the interest and principal and payment dates or redemption provisions for such Parity Certificates correspond

with the provisions of any other Certificates. Any credit or liquidity facility related to any Parity Certificates may secure only such Parity Certificates and not any other Certificates issued hereunder. Any such proceeding or proceedings shall ratify and reaffirm, by reference, all of the applicable terms, conditions and provisions of this Resolution.

(g) Any proposed Variable Rate Certificates shall specify a maximum interest rate, and if any such Variable Rate Certificates so issued provide for the mandatory redemption or purchase of such Variable Rate Certificates at the option of the owner thereof, a credit or liquidity facility shall be provided at or prior to the issuance of such Variable Rate Certificates to support the requirement for any such mandatory redemption or purchase. The failure of any such credit or liquidity facility to purchase any such Variable Rate Certificates may be a default under this Resolution, but may not cause an acceleration of such Variable Rate Certificates issued pursuant to this Resolution.

(h) Such Parity Certificates and all proceedings relative thereto and the security therefor shall be validated as prescribed by law.

Section 510. Defeasance.

(a) Certificates shall be deemed to have been paid in full and the lien of this Resolution shall be discharged as to such Certificates,

(i) after there shall have been deposited in an irrevocable trust fund created for that purpose,

(A) sufficient moneys, and/or

(B) Government Obligations which shall not contain provisions permitting the redemption thereof prior to their stated maturity,

the principal of and the interest on which moneys and/or Government Obligations when due, will be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings to be held in trust also), for the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein or in the resolution authorizing such series of Certificates);

(ii) after there shall have been paid, or satisfactory provision shall have been made for payment, to the Registrar and Paying Agent all fees and expenses due or to become due in connection with the payment of such Certificates or there shall be sufficient moneys deposited with the Registrar and Paying Agent to make said payments; and

(iii) unless all Certificates being defeased pursuant to this Section 510 are to mature or be redeemed within the next 60 days, the Authority shall have given the Registrar and Paying Agent irrevocable instructions to give notice, as soon as practicable, to the Owners of such Certificates, by first class mail, postage prepaid, at their last addresses appearing upon the

books of registration, that the deposit required by subsection (a)(i) of this Section 510 has been made and that such Certificates are deemed to have been paid in accordance with this Section 510.

(b) In addition to the foregoing provisions of this Section 510, the lien of this Resolution as to all Certificates which are being defeased shall only be discharged pursuant to this Section 510 if the Authority delivers an opinion of Bond Counsel providing that all conditions precedent to the discharge of the lien of this Resolution pursuant to this Section 510 have been satisfied and such deposit and discharge will not adversely affect the exclusion of the interest on such Certificates from federal income taxation.

(c) It is contemplated that any Certificates issued and secured pursuant to this Resolution may be paid, or deemed to be paid in full as aforesaid, and any other Certificates not paid, or not deemed to be paid in full as aforesaid, shall remain Outstanding hereunder. Upon payment in full of any Certificates as provided in this Section 510, the Owners of such Certificates shall no longer be entitled to the benefits of the security afforded by this Resolution and, except for the purposes of registration, exchange, and transfer, shall no longer be deemed outstanding hereunder.

[END OF ARTICLE V]

ARTICLE VI

DEPOSITORYES OF FUNDS; SECURITY FOR DEPOSITS; AUTHORIZED INVESTMENTS

Section 601. Designation of Registrar, Paying Agent, and Authentication Agent; Designation of Depositories and Custodians.

(a) U.S. Bank National Association, in the City of Atlanta, Georgia, is hereby designated as Registrar, Paying Agent, and Authentication Agent for the Series 2013 Certificates.

(b) Branch Banking and Trust Company (BB&T), in the City of Columbus, Georgia, is hereby designated as the Construction Fund Depository, the Capital Improvement Fund Custodian, the Revenue Fund Custodian and the Sinking Fund Custodian.

(c) The Authority, from time to time, may designate, by supplemental resolution, a successor Paying Agent and Registrar, and may appoint a depository or successor depository for or custodian of any fund or account described herein; provided such depository or successor agrees to comply with the relevant provisions of this Resolution.

Section 602. Bank or Trust Company as Registrar and Paying Agent.

(a) During such time as the Registrar and Paying Agent is a bank or trust company, any presentation and surrender of Certificates to the Registrar or Paying Agent as required herein shall be to the principal corporate office of said bank or trust company.

(b) During such time as the Registrar and Paying Agent is a bank or trust company, any corporation into which the Registrar and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Registrar and Paying Agent shall be a party, or any corporation to which substantially all the corporate trust business of the Registrar and Paying Agent may be transferred, subject to the terms of this Resolution, shall be Registrar and Paying Agent under this Resolution without further act.

Section 603. Funds Constitute Trust Funds.

(a) Except as otherwise provided in this Resolution, all moneys received by the Authority under the terms hereof, subject to the giving of security as hereinafter provided, shall be deposited with the proper depository or custodian in the name of the Authority. All moneys deposited under the provisions hereof shall constitute trust funds and shall be deposited in banks insured by the Federal Deposit Insurance Corporation, or any successor thereto, and such moneys shall be applied in accordance with the terms and for the purposes set forth in this Resolution and shall not be subject to lien or attachment or any type of security interest by any creditor of the Authority.

(b) If the Sinking Fund Custodian and the Paying Agent for all Outstanding Certificates is the same bank acting in both capacities, then the Sinking Fund Custodian, without any further direction on the part of or any further authorization from the Authority, shall use and disburse the moneys in the Sinking Fund as provided in this Resolution; except that, if, as provided under Article III of this Resolution, it redeems or buys any Certificates with moneys in the Sinking Fund, then proper authorization and direction from the Authority shall be furnished for such use and disbursement.

Section 604. Security for Deposits. No moneys belonging to any of the funds created hereunder shall be deposited or remain on deposit and uninvested with any depository or custodian in an amount in excess of the amount guaranteed by the Federal Deposit Insurance Corporation, or any successor thereto, unless such institution shall have pledged for the benefit of the Authority and the Owners of the Certificates as collateral security for the moneys deposited direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America, or other marketable securities eligible as security for the deposit of public trust funds under regulations of the Board of Governors of the Federal Reserve System and under applicable State law and having a market value (exclusive of accrued interest) at least equal to the amount of such deposits and having a face or par value at least equal to the amount prescribed by applicable State law.

Section 605. Investment of Funds.

(a) Any investments authorized herein shall be held in the respective fund until paid at maturity, redeemed or sold, and the proceeds thereof, including interest, principal, and premium, if any, shall be immediately deposited to the credit of such fund. When a fixed amount is required to be maintained in any fund, the investments for such fund shall be valued in terms of current market value as of the last day of the fiscal year next preceding the determination of value. Moneys in each respective fund and all authorized investments held in and for such fund, and the income therefrom, hereby are pledged to and charged with the payments required by this Resolution to be made from such fund.

(b) Moneys in the Construction Fund, the Revenue Fund, the Sinking Fund, and the Capital Improvement Fund not required to pay current obligations may be invested as set forth in Paragraphs (a) or (b), as applicable, of Section 606. Any such investments shall mature no later than such times as shall be necessary to provide moneys when needed for payments to be made from the pertinent fund or account, and shall be made upon the direction of such duly authorized agent of the Authority to whom the Authority has delegated the responsibility of giving such direction.

Section 606. Authorized Investments.

(a) **Construction Fund Moneys.** The Authority may invest and reinvest moneys in the Construction Fund in any of the following investments (presently authorized by O.C.G.A. § 36-82-7), if and to the extent the same are at the time legal for investment of certificate proceeds:

(i) The local government investment pool created in O.C.G.A. § 36-83-8; or

(ii) The following securities and no others:

A. Bonds or other obligations of the issuer, or bonds or obligations of the State or other states or of counties, municipal corporations and political subdivisions of the State;

B. Bonds or other obligations of the United States or of subsidiary corporations of the United States government, which are fully guaranteed by such government;

C. Obligations of and obligations guaranteed by agencies or instrumentalities of the United States government, including those issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, and any other such agency or instrumentality now or hereafter in existence; provided, however, that all such obligations shall have a current credit rating from nationally recognized rating service of at least one of the three highest rating categories available and have a nationally recognized market;

D. Bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured to payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency or municipal corporation in the United States which are fully secured to payment of both principal and interest by a requisition, loan or payment agreement with the United States government;

E. Certificates of deposit of national or state banks located within the State which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan or savings and loan associations located within the State which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depositary, custodian or trustee for any proceeds of the Certificates; provided, however, that the portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within the State or with a trust office within the State, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State or other states or any county or municipal corporation in the State, obligations of the United States or subsidiary corporations included in subparagraph (B) above, obligations of the agencies and instrumentalities of the United States government included in subparagraph (C) above, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in subparagraph (D) above; and

C. Bonds or certificates of indebtedness of the State and of its agencies and instrumentalities, or of other states.

D. Obligations of other political subdivisions of the State.

E. Certificates of deposit of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation must be secured by direct obligations of the State or the United States which are of a par value equal to that portion of such certificates of deposit which would be uninsured.

F. Prime bankers' acceptances.

G. Repurchase agreements.

H. The local government investment pool established by O.C.G.A. § 36-83-8; and

(ii) any other investments to the extent at the time hereafter permitted by the applicable law of the State for the investment of public funds.

Section 607. Authorization for Investments by Depositories. The Authority, at any time and from time to time, may direct any depository or custodian for any fund to make specific investments of moneys on deposit in such fund in accordance with Section 606 or may provide any such depository or custodian with general and continuing authorization to invest moneys in any such fund in accordance with the provisions of Section 606.

Section 608. Limitation on Liability from Funds on Deposit with the Paying Agent. Should any Certificates not be presented for payment when due, the Paying Agent shall retain, for the benefit of the Owners of such Certificates, a sum of money sufficient to pay such Certificates when the same are presented by the Owners thereof for payment. All liability of the Authority to the Owners of such Certificates and all rights of such Owners against the Authority under the Certificates or under this Resolution shall thereupon terminate, and the sole right of such Owners thereafter shall be against such funds on deposit with the Paying Agent. The Paying Agent shall hold such funds without any responsibility for payment to such Owners of additional interest beyond the date when payment was due.

If any Certificate shall not be presented for payment within a period of five years following the date when such Certificate becomes due, the Paying Agent, at the written request of the Authority, shall transfer to the Authority's Revenue Fund all funds theretofore held by it for payment of such Certificate. The Paying Agent thereupon shall be released and discharged with respect to such Certificates, and such Certificate, subject to the defense of any applicable statute of limitations, thereafter shall be an unsecured obligation of the Authority.

F. Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(1) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in subparagraph (B) and (C) above and repurchase agreements fully collateralized by such obligations;

(2) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(3) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(4) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State.

G. Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, provided that each such interest-bearing time deposit, repurchase agreement, reverse repurchase agreement, rate guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys.

(b) *Revenue Fund, Sinking Fund, Debt Service Reserve Fund, and Capital Improvement Fund Moneys.* The Authority may invest and reinvest moneys in the Revenue Fund, Sinking Fund, Debt Service Reserve Fund, and Capital Improvement Fund in:

(i) any of the following investments (presently authorized by O.C.G.A. § 36-80-3 and O.C.G.A. § 36-83-4), if and to the extent the same are at the time legal for investment of such moneys:

A. Obligations of the United States and of its agencies and instrumentalities, or obligations fully insured or guaranteed by the United States government or by one of its agencies.

B. Obligations of any corporation of the United States government.

ARTICLE VII

PARTICULAR COVENANTS OF THE AUTHORITY

Section 701. Maintenance of Rates.

(a) The Authority covenants that on or before the first day of each fiscal year during which any Certificates are outstanding, it will undertake a revenue sufficiency analysis for the Health Care System, and a copy of such analysis will be furnished, upon request, to any Certificate holder and to the original purchaser of a series of Certificates.

(b) The Authority covenants that it has placed into effect a schedule of rates, fees, and charges for the services and facilities furnished by the Health Care System and made available to persons other than those certified as indigent, and as often as it shall appear necessary it shall revise and adjust such schedule of rates, fees, and charges for services and facilities to the extent necessary to produce funds which will be sufficient to pay the Debt Service on the Certificates as the same becomes due and payable in the then current Sinking Fund Year and to pay the Operating Expenses of the Health Care System.

(c) The Authority will diligently undertake to collect or cause to be collected from persons, other than the indigent, all service charges and other obligations arising out of the operation of the Health Care System as such obligations become due, and it will apply all collections and all revenues and income from the Health Care System, as collected, as provided in this Resolution and not otherwise.

Section 702. Failure to Adopt Rates and Charges. If the Authority shall fail to adopt a schedule or schedules of rates, fees, and charges or to revise the same as necessary in accordance with the provisions of this Article, the Owner of any Certificate, without regard to whether any default, as defined in Section 801, shall have occurred, may institute and prosecute in any court of competent jurisdiction an appropriate action to compel the Authority to adopt such schedule or schedules or to revise such schedule or schedules so that funds will be received sufficient in amount to maintain at all times funds for which provisions are made in this Resolution, and to pay the Operating Expenses of the Health Care System.

Section 703. Payment of Certificates. The Authority will promptly pay the Debt Service on every Certificate payable from the revenues of the Health Care System at the place, on the dates, and in the manner herein and in the Certificates, and any premium required upon redemption of Certificates, according to the true intent and meaning thereof. The Debt Service on all Certificates and premium, if any, and the charges of the Registrar and Paying Agent are payable solely out of the revenues of the Health Care System, which revenues hereby are pledged to the payment of such obligations in the manner and to the extent herein particularly specified, and nothing herein contained or in the Certificates shall be construed as an obligation of the Authority to make any appropriation for their payment, except from revenues or other receipts derived from the ownership and operation of the Health Care System as provided herein, nor shall any Certificate constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Authority other than such revenues.

Section 704. Operation of Health Care System. The Authority will continuously maintain the Health Care System in good order and repair and will enforce reasonable rules and regulations governing the Health Care System and the operation thereof. All compensation, salaries, fees, and wages paid in connection with the maintenance, repair, and operation of the Health Care System will be reasonable, and no more persons will be employed than are necessary. The Authority will operate the Health Care System in an efficient and economical manner, will at all times maintain the same in sound operating condition, will make all necessary repairs, renewals, and replacements, and will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative or judicial body applicable to such undertaking.

Section 705. Liens. The Authority will not create or permit to be created in the operation and maintenance of the Health Care System any lien, security interest, charge or encumbrance thereon or on any part thereof, or upon the revenues derived therefrom ranking equally with, except as herein provided, or prior to the lien or charge herein created upon such revenues to secure payment of the Certificates, and the Authority will pay or cause to be discharged or will make adequate provisions to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Health Care System or on any part thereof or upon the revenues derived therefrom; provided, however, that nothing contained in this Section shall require the Authority to pay, or cause to be discharged, or make provision for the discharge of any such lien, security interest, encumbrance, or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings unless, by such action, the lien or charge created hereby on any part of the Health Care System or the revenues therefrom shall be materially satisfied or any part thereof will be subject to loss or forfeiture, in which event, any such lien shall be promptly satisfied or discharged by the filing of a bond or taking other action as prescribed by law to effect such discharge. In addition, the Authority may grant, without violating the provisions of this Section, a purchase money security interest in connection with the acquisition of additional equipment pursuant to an installment purchase, capitalized lease or similar obligation. The Authority, without violating the provisions of this Section, may enter into any lease or lease purchase contracts for the use of equipment, including fixtures.

Section 706. Insurance Provisions.

(a) **Fire and Extended Coverage.** The Authority, if such insurance is not already in force, will procure fire and extended coverage insurance on the insurable portions of the Health Care System, the revenues of which are pledged to the security of the Certificates. The foregoing fire and extended coverage insurance will be maintained so long as the Certificates are outstanding and will be in the amount of the full insurable value of the property. If there is any damage to or destruction of any of the Health Care System or any part thereof, the Authority will promptly arrange for the application of the insurance proceeds for the repair, reconstruction or replacement of the damaged or destroyed portion unless the Authority, with the concurrence of its consulting engineers, shall determine that:

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Section 707. Condemnation. If the Health Care System or any part thereof or any portion of the premises upon which any part of the Health Care System is constructed is taken by the exercise of the power of eminent domain, the whole compensation therefor shall be paid directly to the Authority and applied by the Authority as follows:

(a) **Condemnation of all or substantially all of the Health Care System.** Condemnation proceeds referable to a taking of all or substantially all the Health Care System or such premises will be paid into the Sinking Fund, or if all Certificates payable from the Sinking Fund and the interest thereon shall have been paid or if sufficient funds will be placed in the Sinking Fund for the payment or call and redemption of all Certificates payable from the Sinking Fund by the payment therein of a portion of such condemnation proceeds, then the excess, if any, of such proceeds over the amount required for such payment or call and redemption shall be paid to the Authority.

(b) **Condemnation of less than substantially all of the Health Care System.** All condemnation proceeds received by the Authority referable to a taking of less than substantially all the Health Care System will be applied as follows:

(i) If no part of the improvements constituting the Health Care System or of the premises upon which the same is located is taken or damaged or if the Authority, with the concurrence of its consulting engineers, shall determine that the efficient utilization of the Health Care System is not impaired by such taking and there will be no loss of revenue by reason thereof, the net condemnation award shall be paid to the Sinking Fund.

(ii) If any part of the improvements or premises is taken or if no such determination is made with the concurrence of such consulting engineers, then, the net condemnation award will be applied to the repair, rebuilding, and restoration of the Health Care System or to the rearrangement of the Health Care System, insofar as may be possible, so as to make the Health Care System suitable for the use intended and to prevent a loss of revenue therefrom, and any balance of the net condemnation award will be paid into the Sinking Fund unless the Authority, with the concurrence of its consulting engineers, shall determine that the efficient utilization of the Health Care System is not impaired by such taking and that such repair, rebuilding, or restoration is not economically feasible for the reason that the revenue of the Health Care System would not be increased thereby sufficiently to justify, in good business practice, the expenditure of such condemnation award therefor, and, if such repair, rebuilding, restoration, or rearrangement is not possible or is not undertaken so as to make the Health Care System suitable for the use intended, all the net condemnation award will be paid into the Sinking Fund.

(iii) If all Certificates payable from the Sinking Fund and the interest thereon shall have been paid or if sufficient funds will be placed in the Sinking Fund for the payment or call and redemption of all Certificates payable from the Sinking Fund by the payment therein of a portion of such condemnation proceeds, then the excess, if any, of such proceeds over the amount required for such payment or call and redemption, shall be paid to the Authority.

Section 708. Meaning of Efficient Utilization. Whenever reference is made herein to impairment of the efficient utilization of the Health Care System, such reference shall mean that

(i) such repair, reconstruction or replacement is not economically feasible because the revenues of the Health Care System would not be increased sufficiently thereby to justify, in good business practice, the expenditure therefor of such insurance proceeds;

(ii) the efficient utilization of the Health Care System is not impaired by such damage; and

(iii) such damage will not result in the loss of a significant amount of revenue from the Health Care System.

(b) **Public Liability and Property Damage.** The Authority, if such insurance is not already in force, will procure and maintain, for so long as any Certificates are outstanding, public liability insurance relating to the operation of the Health Care System and relating to any vehicle owned or operated for the benefit of the Health Care System in such amount as may be determined by the Authority upon recommendation of counsel to the Authority, in order to protect the Authority from claims for bodily injury and for death and from claims for damage to property of others which may arise from the operation of the Health Care System or any other facilities the revenues of which are pledged.

(c) **Fidelity Certificates.** The Authority will carry, at all times, fidelity bonds on all of its officers and employees who may handle funds derived from the Health Care System, and such bonds shall be in such amounts as are at least equal to the total funds in the custody of such officer or employee at any one time.

(d) **From Whom Purchased.** The Authority shall obtain all such insurance from a responsible insurance company or companies, authorized and qualified under the laws of the State to assume the risks thereof against loss or damage. All such policies shall be for the benefit of and made payable to the Authority and shall be on deposit therewith; provided, however, the Authority may elect to be a self-insurer with respect to property loss for any mobile equipment used in connection with the operation and maintenance of the Health Care System.

(e) **Pledge of Insurance Proceeds.** The proceeds of all such insurance policies, except the general liability policies or coverage, are pledged as security for the payment of the Certificates, but shall be available for and shall be applied, to the extent necessary and desirable, to the repair and replacement of the damaged or destroyed property, provided that any portion of such proceeds remaining after payment in full of such costs shall be paid into the Sinking Fund, or, if the property is not repaired or replaced, the proceeds shall be placed in the Sinking Fund.

(f) **General.** All insurance policies and other coverage documents shall be open to the inspection of the Certificateholders and their representatives and to the designated representative of the original purchasers of each series of Certificates issued hereunder at all reasonable times.

The provisions of this Section 706 are subject to the availability of insurance at commercially reasonable rates to the Authority due to market conditions which may adversely affect such availability to hospital authorities of the State generally.

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the Health Care System, following damage or the exercise of the power of eminent domain, will be of such a character as to be capable or as not to be capable, as the case may be, of rendering service substantially of quantity and quality comparable to that being rendered by the Health Care System immediately prior to such damage or the exercise of the power of eminent domain.

Section 709. Construction Fund After Loss. If, in accordance with any of the foregoing provisions of this Article, any part of the Health Care System property is to be repaired, renewed, rebuilt, restored, or rearranged after such damage, destruction, or taking, all proceeds from such insurance or compensation for such taking will be paid into a special trust fund to be then created and designated as a construction fund. Such trust will be administered by the Authority during such repairing, renewing, rebuilding, restoring, or rearranging, in accordance with sound business practices, and the Authority will disburse the moneys held in such construction fund only for the purposes thereof.

Section 710. Funds and Accounts to be Maintained Separately. The Authority shall keep the funds and accounts of the Health Care System separate from all other funds and accounts of the Authority, or any of its departments, and no payment shall be made from the revenues derived from the Health Care System which is not properly payable from such revenues, shall keep accurate records and accounts of all items of cost and all expenditures relating to the Health Care System, and of the revenues collected and the application thereof, and shall keep said records and accounts with respect to the physical properties of the Health Care System in such manner that it will be possible at all times to identify both the amounts and the items of all additions and retirements.

Section 711. Fiscal Year: Annual Budget.

(a) The Authority is now operating and will continue to operate the Health Care System on a fiscal year basis beginning on July 1 of each year and ending June 30 of the following calendar year, but should it desire to change its fiscal year it may do so by proper resolution.

(b) The Authority covenants that a budget of revenues and expenses for the Health Care System for its current fiscal year has been adopted as required by the Hospital Authorities Law, that in connection with the issuance hereafter of any series of Certificates said budget will be revised to the extent necessary, and that on or before the first day of each subsequent fiscal year, there will be adopted an annual budget of revenues and expenses for the Health Care System for the ensuing fiscal year, and a copy of such budgets or amendments thereto will be furnished, upon request, to any Certificateholder and to the original purchaser of a series of Certificates.

Section 712. Audit of Health Care System. In the month immediately following the end of each fiscal year, or as soon thereafter as practicable, an audit will be made of the financial affairs, books, records, and accounts pertaining to the Health Care System for the preceding year by an independent certified public accountant or firm of certified public accountants of suitable experience and responsibility, to be chosen by the Authority. The auditor so appointed shall perform the audit in accordance with generally accepted accounting principles and shall submit a

complete and final report and audit to the Authority not later than 120 days after the close of the fiscal year.

The annual audit shall include, among other items, a statement of income and expenses and a balance sheet relating to the Health Care System, both in reasonable detail, a list of insurance policies paid for and in force respecting the Health Care System and its operations, comments by the auditor respecting the compliance by the Authority with the provisions of this Resolution, and that the Authority is complying therewith or point out where, in any instance, the Authority is not in compliance therewith.

Not later than 180 days following the end of each fiscal year, beginning with the 2012 fiscal year, the Authority shall send a copy of its annual financial statements (including the financial statements hereinabove provided for relating to the Health Care System) to the original purchaser of the Series 2013 Certificates and, upon request, copy of the same shall be sent to the original purchasers of each series of Certificates hereafter issued, sold, and delivered hereunder. All such audits shall be open to the inspection of all interested persons. Any additional reports or audits relating to the Health Care System as shall be required by law will be made in the manner required by law, and from time to time, as often as may be requested, original purchasers of each series of Certificates authorized hereunder will be furnished such other information concerning the Health Care System, or the operation thereof, as any of them may reasonably request. The cost of audits shall be treated as a part of the cost of operation of the Health Care System.

Section 713. Inspection of Records of Health Care System. All interested persons will be permitted to examine and inspect the Health Care System' papers, books, records, accounts, and data relating thereto at all reasonable times and will be permitted to make copies or transcripts of any such records, accounts, and data so long as it can be done without unreasonable interference with the operation of the Health Care System.

Section 714. Disposition of Health Care System.

(a) *Disposition in Whole.* So long as any of the Certificates shall be outstanding, the Authority shall not sell, lease or otherwise dispose of the Health Care System and shall not enter into any management, operating or similar agreement with respect to the Health Care System or any part thereof, except that the Authority may sell the Health Care System as a whole, or substantially as a whole, if either of the following conditions are met:

(1) the proceeds of such sale shall be at least sufficient to provide for the payment and redemption of all Outstanding Certificates and any interest accrued or to accrue thereon, and that the proceeds of any such sale shall be deposited in trust and applied by the Authority to the extent necessary to purchase or redeem such Outstanding Certificates, or

(2) the Authority shall have received an unqualified opinion of Bond Counsel to the effect that (a) neither the lien created under this Resolution on the payments to be made by Columbus pursuant to the Contract nor the obligation of Columbus to make the payments required under the Contract will be adversely affected by such sale and (b) the interest on any

In addition, the Authority is not prohibited by this Section from effecting "a reorganization or restructuring" as contemplated by § 31-7-75.1(d) of the Hospital Authorities Law if the following conditions are met:

(1) the other party or parties to such reorganization or restructuring shall have assumed and agreed to perform all of the Authority's obligations with respect to the Health Care System or the portion thereof involved in any such reorganization or restructuring, the revenues derived therefrom, and the disbursements with respect thereto; and

(2) the Authority shall have received an unqualified opinion of Bond Counsel to the effect that (a) neither the lien created under this Resolution on the payments to be made by Columbus pursuant to the Contract nor the obligation of Columbus to make the payments required under the Contract will be adversely affected by such transaction and (b) the interest on any Certificates which is excludable from the gross income of the owners thereof for federal income tax purposes will not become includable in such gross income as a result of such transaction.

No transaction permitted in this Section shall relieve the Authority from its obligation to pay the principal of, premium, if any, and interest on the Certificates as the same become due and payable.

[END OF ARTICLE VII]

Certificates which is excludable from the gross income of the owners thereof for federal income tax purposes will not become includable in such gross income as a result of such sale.

(b) *Disposition in Part.* Nothing contained herein, however, shall preclude the sale or other disposition of a part of the Health Care System if either of the following conditions are met:

(1) the Authority determines that such portion of the Health Care System is no longer needed and serves no useful purpose in connection with the maintenance and operation of the Health Care System or with regard to Current Facilities that the addition of the New Facilities will allow the Authority to adequately serve its patients and clients after disposing of part of the Current Facilities and if the Authority determines that such sale or other disposition would not adversely affect the net revenues of the Health Care System, and provided further that the proceeds from such sale or other disposition are used for extensions, replacements, and improvements to the Health Care System, deposited to the Capital Improvement Fund, or deposited with the Paying Agent in trust and applied toward the purchase or redemption of Certificates, or

(2) the Authority shall have received an unqualified opinion of Bond Counsel to the effect that (a) neither the lien created under this Resolution on the payments to be made by Columbus pursuant to the Contract nor the obligation of Columbus to make the payments required under the Contract will be adversely affected by such sale and (b) the interest on any Certificates which is excludable from the gross income of the owners thereof for federal income tax purposes will not become includable in such gross income as a result of such sale or other disposition.

Notwithstanding the foregoing, the Authority is not prohibited from entering into a lease or management or similar agreement with respect to the Health Care System, or any portion thereof, if the following conditions are met:

(1) the other party or parties thereto shall have assumed and agreed to perform all of the Authority's obligations with respect to the Health Care System or the portion thereof subject to such lease or management or similar agreement, the revenues derived therefrom, and the disbursements with respect thereto; and

(2) the Authority shall have received an unqualified opinion of Bond Counsel to the effect that (a) neither the lien created under this Resolution on the payments to be made by Columbus pursuant to the Contract nor the obligation of Columbus to make the payments required under the Contract will be adversely affected by such lease or management or similar agreement and (b) the interest on any Certificates which is excludable from the gross income of the owners thereof for federal income tax purposes will not become includable in such gross income as a result of such lease or management or similar agreement. Notwithstanding the above, the lease must be specifically approved and the terms and conditions contained therein must be specifically ratified and affirmed.

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ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 801. Events of Default. Each of the following events is hereby declared an "event of default," that is to say if:

(a) Payment of the principal of any of the Certificates shall not be made when the same shall become due and payable, either at maturity or by proceedings for optional or scheduled mandatory redemption; or

(b) Payment of any installment of interest shall not be made when the same shall become due and payable; or

(c) The Authority, for any reason, shall be rendered incapable of fulfilling its obligations hereunder; or

(d) An order or decree shall be entered with the consent or acquiescence of the Authority appointing a receiver or receivers of the Health Care System or of the revenues therefrom or any proceedings shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting claims of such creditors pursuant to any federal or state statute now or hereafter enacted if the claims of such creditors are payable, under any circumstances, out of the revenues of the Health Care System, or if such order or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or discharged or stayed on appeal within 60 days after entry thereof or if such proceeding, having been instituted without such consent or acquiescence, shall not be withdrawn or any orders entered shall not be vacated, discharged or stayed on appeal, within 60 days after the institution of such proceedings or the entry of such orders; or

(e) The Authority shall fail to duly and punctually perform any of the other covenants, conditions, agreements or provisions contained in the Certificates or in this Resolution on its part to be performed, and such failure shall continue for 30 days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority by the Owner of any Certificate unless action to remedy such failure shall have been undertaken and more than 30 days is reasonably required for its completion, in which event the Authority may permit such failure to remain unremedied during the lesser of 180 days or the time required for the completion of such action and any appeal therefrom, irrespective of whether such period extends beyond the 30 day period after the giving of notice, unless by such action the lien or charge hereof on any part of the revenues of the Health Care System shall be materially endangered or the Health Care System or the revenues therefrom or any part thereof shall be subject to loss or forfeiture, in which event, such failure shall be promptly remedied.

Section 802. Acceleration; Actions by Certificateholders; Receiver.

(a) Upon the happening and continuance of any event of default specified in Section 801, then and in every such case the owners of not less than 55% percent of the principal amount of the Outstanding Certificates may declare, by a notice in writing to the Authority, the principal of all Outstanding Certificates (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything

in the Certificates or herein contained to the contrary notwithstanding; provided, however, that if at any time after the principal of the Certificates shall have been so declared to be due and payable, all arrears of interest, if any, upon the Outstanding Certificates and all other indebtedness secured hereby, except the principal of any Certificates not then due by their terms and the interest accrued on such Certificates since the last Interest Payment Date shall have been paid, or shall have been provided for by deposit with the Paying Agent of a sum sufficient to pay the same, and every other default in the observance or performance of any covenant, condition, or agreement in the Certificates or herein contained shall be made good, or provisions therefor satisfactory to such owners of the Certificates shall have been made, then and in every such case the owners of not less than 55% of the principal amount of the Certificates then outstanding, by written notice to the Authority, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(b) Upon the happening and continuance of any event of default as provided in Section 801, then and in every such case any Certificateholder may proceed, subject to the provisions of Section 804, to protect and enforce the rights of the Certificateholders hereunder by a suit, action or special proceeding in equity, or at law, either for the appointment of a receiver of the Health Care System as authorized by the Revenue Bond Law, or for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted, or for the enforcement of any proper legal or equitable remedy as such Certificateholder shall deem most effectual to protect and enforce the rights aforesaid, insofar as such may be authorized by law.

Section 803. Proceedings, Discontinued, Abandoned or Adversely Determined. If any proceeding taken by any Certificateholder on account of any event of default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Certificateholder, then and in every such case the Authority and the Certificateholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Certificateholders shall continue as though no such proceedings had been taken.

Section 804. Limitation of Actions. No one or more Holders of the Certificates shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for herein, or to enforce any right hereunder, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Holders of such Outstanding Certificates.

Section 805. No Remedy Exclusive. No remedy herein conferred upon the Certificateholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity, or by statute.

Section 806. Delay or Omission to Exercise Right or Power. No delay or omission of any Certificateholder to exercise any right or power accruing upon any event of default occurring and continuing, as aforesaid, shall impair any such event of default or be construed as an acquiescence therein; and every power and remedy given by this Article to the Certificateholders may be exercised from time to time and as often as may be deemed expedient.

ARTICLE IX

SUPPLEMENTAL PROCEEDINGS

Section 901. Supplemental Proceedings Not Requiring Consent of Certificateholders. This Resolution may be modified, altered, amended or expanded by the Authority without the consent of, or notice to, any of the Certificate holders for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission or inconsistent provision in this Resolution;
- (b) to grant to or confer any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Certificate holders;
- (c) to subject to the lien and pledge of this Resolution additional rents, revenues, receipts, properties or other collateral;
- (d) to evidence the appointment of successors to any depository, custodian, Paying Agent or Registrar hereunder; and
- (e) to provide for the issuance of Parity Certificates or subordinate certificates in accordance with the provisions of this Resolution.

Section 902. Supplemental Proceedings Requiring Consent of Certificateholders.

(a) This Resolution may be modified, altered, and amended from time to time by adding to or rescinding in any particular any terms or provisions contained herein; provided, however, that nothing contained herein shall permit or be construed as permitting:

- (i) the extension of the maturity or redemption date of any Certificates issued hereunder;
- (ii) the reduction in or alteration of the principal of or the interest on the Certificates or any modification of the terms of payment of principal and interest thereon; or
- (iii) the reduction of the percentage of the principal amount of Certificates required for consent to such modification, alteration or amendment.

A modification or amendment of the provisions with respect to increasing payments required to be made to the Sinking Fund shall not to be deemed a change in the terms of payment.

(b) Any modifications, alterations, and amendments of this Resolution as permitted by this Section 902 shall be made by a supplemental resolution. After any supplemental resolution requiring the consent of the Certificate holders shall have been adopted, the Authority shall cause a notice of the adoption of such supplemental resolution to be mailed, postage

Section 807. Rights to Enforce Payment. Nothing in this Resolution or in the Certificates shall affect or impair the right of action of the Owner of any Certificate, which is absolute and unconditional, to enforce payment of such Certificate in accordance with the provisions of this Resolution.

prepaid, to all Certificate holders at the addresses appearing on the registration book kept by the Registrar. Thereafter, no such supplemental resolution shall become effective unless the Holders of at least fifty-five percent (55%) of the aggregate principal amount of the affected Outstanding Certificates shall have filed with the Authority within 90 days after the adoption of such supplemental resolution, written consent to approval thereof, each such written consent to be accompanied by proof of ownership of the Certificates to which such instrument refers, which proof shall be such as is permitted by the provisions of Section 903. Any request or consent of the owner of any Certificate shall bind every future owner of the same Certificate with respect to anything done by the Authority in pursuance of such request or consent.

Section 903. Proof of Ownership. Any request, waiver, direction, consent or other instrument required by this Resolution to be signed or executed by the owners of the Certificates may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such instrument, or of the writing appointing such agent, and of the ownership of Certificates, if made in the following manner, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the Authority with regard to any action taken by it under such instrument:

(a) The fact and date of the execution by any person of any such instrument may be proven by the certificate of any officer in any jurisdiction who by the laws thereof has power to take acknowledgment within such jurisdiction, to the effect that the person signing such instrument acknowledged before such officer the execution thereof, or by an affidavit of a witness to such execution.

(b) The fact of the ownership of the Certificates shall be determined and proven by reference to the registration book kept by the Registrar of such Certificates, and the Authority may assume conclusively that such ownership continues until written notice to the contrary is served upon the Authority.

Section 904. Effect of Supplemental Proceeding. Any supplemental resolution adopted and becoming effective in accordance with the provisions of this Article thereafter shall form a part of this Resolution, and all the terms and conditions contained in any such supplemental resolution as to any provision authorized to be contained therein shall be a part of the terms and conditions of this Resolution and shall be effective as to all Owners of the then Outstanding Certificates and of any Parity Certificates, and no notation or legend of such modifications and amendments shall be required to be made on any such outstanding Certificates.

Section 905. Subsequent Proceedings Consistent with Resolution. Any subsequent proceeding or proceedings authorizing the issuance of Parity Certificates as permitted under the provisions of this Resolution shall in nowise conflict with the terms and conditions of this Resolution, but, for all legal purposes, shall contain all the covenants, agreements, and provisions of this Resolution for the equal protection and benefit of all Owners of Certificates.

ARTICLE X

TAX COVENANT; MISCELLANEOUS PROVISIONS

Section 1001. Resolution Constitutes Contract with all Owners.

(a) The provisions, terms, and conditions of this Resolution shall constitute a contract by and between the Authority and the Owners of Outstanding Certificates, and this Resolution shall not be repealed or amended in any respect which will adversely affect the rights and interest of the Owners of the Certificates, nor shall the Authority adopt any resolution or ordinance in any way ever adversely affecting the rights of such Owners so long as any of the Certificates or the interest thereon shall remain unpaid; provided, however, that the provisions of this Section shall not be construed to restrict or impair any rights reserved to the Authority in Article IX to make modifications or amendments to this Resolution to the extent and in the manner as provided therein.

(b) All the covenants, agreements, and provisions of this Resolution shall be for the equal and proportionate benefit and security of all Owners of the Certificates without preference, priority or distinction as to the charge, lien or otherwise of any one Certificate over any other Certificate.

Section 1002. Federal Tax Certificate. The Authority recognizes that the Owners of all tax-exempt Series 2013 Certificates will have accepted them on, and paid therefor a price which reflects, the understanding that interest thereon is exempt from federal and State income taxation under laws in force at the time the Series 2013 Certificates shall have been delivered. To maintain the exclusion from federal gross income of interest on the Series 2013 Certificates, the Authority covenants to comply with the applicable requirements of the Code. In furtherance of this covenant, for the benefit of the Certificateholders, the Authority agrees to comply with the provisions of a Federal Tax Certificate to be executed by the Authority and delivered concurrently with the issuance and delivery of each series of tax-exempt Certificates.

Section 1003. Applicable Provisions of Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 1004. Partial Invalidity. If any one or more of the provisions of this Resolution or of the Certificates shall for any reason be held to be illegal or invalid by a court of competent jurisdiction, such illegality or invalidity shall not affect any other provisions hereof or of the Certificates unless expressly so held, but this Resolution and the Certificates shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein, and this Resolution shall be construed to adopt, but not to enlarge upon, all the applicable provisions of the Hospital Authorities Law and the Revenue Bond Law, and, if any provisions hereof conflict with any applicable provisions of said law, the latter as adopted by the legislature of the State and as interpreted by the courts of the State shall prevail and shall be substituted for any provisions hereof in conflict or not in harmony therewith.

Section 1005. Payments Due on Saturdays, Sundays, and Holidays. If the Interest Payment Date or the date fixed for redemption of any Certificates shall be in the city of payment a Saturday, Sunday, or a legal holiday or a day on which banking institutions are authorized by

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Section 1009. Authorization of Contract. The execution, delivery, and performance of the Contract, the form of which is attached hereto as Exhibit A, is hereby authorized. The Contract shall be in substantially the form of that which is attached hereto as Exhibit A, and the Chairman or Vice Chairman of the Authority is authorized to approve such additions and changes as are necessary to carry out the intent of this Resolution and to sign the Contract in the name of and on behalf of the Authority. The corporate seal of the Authority shall be affixed to the Contract and attested by the Secretary or an Assistant Secretary of the Authority. The signing of the Contract by the Chairman or the Vice Chairman shall be conclusive evidence of the approval of any additions and changes. The Contract, in substantially the form attached hereto, is incorporated herein and made a part hereof relative to the operation and maintenance of the Health Care System during the period in which Certificates will be outstanding.

Section 1010. Supplemental Resolutions. The Authority shall adopt such supplemental resolutions as are necessary prior to the issuance and delivery of the Series 2013 Certificates to, among such other provisions as may be necessary, (i) establish, within the limitations set forth in Section 201 and Section 202(a), the original principal amount of the Series 2013 Certificates, the maturities and exact principal amounts for each maturity of the Series 2013 Certificates, the interest rate or rates for the Series 2013 Certificates, and the scheduled mandatory redemption provisions, if any, for the Series 2013 Certificates, (iii) ratify the acceptance of the best bid for the Series 2013 Certificates made in response to the Notice of Sale, and (iv) take any such actions and make any further approvals as may be necessary in connection with the issuance and delivery of the Series 2013 Certificates.

Section 1011. Authorization of Execution of 8038-G and Federal Tax Certificate. The Chairman of the Authority, the President or the Vice President is hereby authorized to execute, and direct the filing with the Internal Revenue Service of, an Information Return for Tax-Exempt Governmental Obligations, Form 8038-G. The Chairman, President, Vice President or other proper officer or agent of the Authority is hereby authorized to execute and deliver the Federal Tax Certificate.

Section 1012. General Authorization. The proper officers and agents of the Authority, including specifically the Chairman, Vice Chairman, Secretary, President or Vice President, hereby are authorized, empowered, and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of this Resolution and are further authorized to take any and all further actions and execute and deliver any and all other documents as may be necessary in the issuance of the Series 2013 Certificates. All actions heretofore taken and all documents heretofore executed in connection with the issuance of the Series 2013 Certificates are ratified and approved.

Section 1013. Notice of Sale and of Acceptance of Bids. The Authority authorizes and directs its Financial Advisor, Davenport & Company LLC, in coordination with the President or Vice President to distribute and cause to be published, in print or electronically, an official notice of sale in which bidders will be requested to submit bids to the Authority for purchase of the Bonds. The President or Vice President, with the assistance of Davenport & Company LLC, shall review the bids and award the sale of the 2013 Certificates to the bidder(s) submitting the highest and best bid, with the lowest true interest costs to the Authority.

law to close, then payment of such principal or interest need not be made on such date but may be made on the next succeeding business date with the same force and effect as if made on the Interest Payment Date or on the date of stated maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Section 1006. Validation. The Series 2013 Certificates shall be validated in the manner provided in the Revenue Bond Law, as amended, and to that end notice of the adoption of this Resolution and a certified copy thereof shall be served immediately on the District Attorney of the Chattahoochee Judicial Circuit in order that proceedings for the confirmation and validation of the Series 2013 Certificates by the Superior Court of Muscogee County may be instituted by said District Attorney.

Section 1007. Continuing Disclosure. The Authority will undertake all responsibility for compliance with the continuing disclosure requirements contained in Securities and Exchange Commission Rule 15c2-12(b)(5) pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"). The execution and delivery of the Continuing Disclosure Certificate by the Chairman or Vice Chairman of the Authority is hereby authorized. Notwithstanding any other provision of this Resolution, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered a default hereunder, and under no circumstances shall such failure affect the validity or the security for the payment of the Certificates. It is expressly provided, however, that any Holder or Beneficial Owner of the Certificates may take such action, to the extent and in such manner as may be allowed by applicable law, as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Resolution and the Certificates. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositaries or other intermediaries), or (b) is treated as the Owner of any Certificates for federal income tax purposes. The cost to the Authority of performing its obligations set forth in this Section shall be paid solely from funds lawfully available for such purpose. Nothing contained in this Resolution shall obligate the levy of any tax to effect the Authority's obligations set forth in this Section.

Section 1008. Official Statement. The Authority shall cause to be prepared and distributed a Preliminary Official Statement with respect to the Series 2013 Certificates and shall prepare, execute, and deliver an Official Statement for the Series 2013 Certificates in final form and the execution and delivery of said Official Statement in final form be and the same are hereby authorized and approved. The use and distribution of a Preliminary Official Statement with respect to the Series 2013 Certificates be and the same is hereby ratified and confirmed, and the President or Vice President was and is duly authorized to "deem final" the Preliminary Official Statement within the meaning of Securities Exchange Act Rule 15c2-12. The Chairman of the Authority or the President is hereby authorized to execute and deliver the Official Statement for and on behalf of the Authority and said Official Statement shall be in substantially the form of the Preliminary Official Statement, subject to such changes, insertions or omissions as may be approved by the Chairman. The execution of said Official Statement by the Chairman or the President as hereby authorized shall be conclusive evidence of any such approval. The distribution of the Preliminary Official Statement and Official Statement for and on behalf of the Authority is hereby authorized and approved.

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Section 1014. Waiver of Performance Audit. The Authority hereby specifically waives the requirements of O.C.G.A. § 36-82-100 that the expenditure of the proceeds of the Series 2013 Certificates be subject to an ongoing performance audit or performance review, and authorizes such waiver to be published in the notice of hearing relating to the validation of the Series 2013 Certificates.

Section 1015. Captions. The captions or headings in this Resolution are for convenience only and in no way limit or describe the scope or intent of any provisions or sections of this Resolution.

Section 1016. Repealer. Any and all ordinances or resolutions or parts of ordinances or resolutions in conflict with this Resolution shall be and the same hereby are repealed, and this Resolution shall be in full force and effect from and after its adoption.

APPROVED AND ADOPTED this January 17, 2013.

HOSPITAL AUTHORITY OF
COLUMBUS, GEORGIA

By: James Webster
Chairman

SECRETARY'S CERTIFICATE

I, the undersigned Secretary of the Hospital Authority of Columbus, Georgia, keeper of the records and seal thereof, hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Hospital Authority of Columbus, Georgia in public meeting properly and lawfully assembled on January 17, 2013, the original of which resolution has been entered in the official records of the Authority under my supervision and is in my official possession, custody and control.

I further certify that the meeting was held in conformity with the requirements of Title 50, Chapter 14 of the Official Code of Georgia Annotated.

(SEAL)

\s\ George Mize
Secretary

STATE OF GEORGIA)
) CONTRACT
COUNTY OF MUSCOGEE)

This CONTRACT, made and entered into as of _____, 2013 (this "Contract"), by and between COLUMBUS, GEORGIA ("Columbus"), a consolidated government and political subdivision of the State of Georgia, and the HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA (the "Authority"), a body corporate and politic of the State of Georgia (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the hereinafter defined Resolution):

WITNESSETH:

WHEREAS, pursuant to the provisions of the Hospital Authorities Law, now codified, as amended, as Article 4 of Chapter 7 of Title 31 of the Official Code of Georgia Annotated (hereinafter sometimes referred to as the "Hospital Authorities Law"), Muscogee County was authorized to establish a hospital authority, and pursuant thereto the governing body of Muscogee County did, by resolution adopted on the 14th day of November, 1967, duly establish the "Hospital Authority of Muscogee County" in accordance with the provisions of the laws of the State of Georgia then in effect; and

WHEREAS, the Columbus, Georgia-New Charter for County-Wide Government (Ga. Laws 1993, p. 4978, at 5006) as amended by the voters of Columbus, Georgia at referendum held November 6, 2012 (the "Columbus Charter"), in Article IV, Chapter 6, Section 4-621, readopted and approved the renaming and designation of the "Hospital Authority of Muscogee County," as the "Hospital Authority of Columbus, Georgia" and authorized the Authority to continue its operation without interruption resulting from the adoption of the Columbus Charter; and

WHEREAS, the Authority has been and is now legally created, existing, and operating in accordance with all of the terms and provisions of the Hospital Authorities Law and will continue to comply with all of the requirements thereof; and

WHEREAS, the Hospital Authorities Law grants to the Authority the power to acquire, construct, and equip hospitals, health care facilities, nursing homes, rehabilitation centers, extended care facilities, and other public health facilities for the use of patients and officers and employees of any institution under the supervision and control of the Authority or leased by the Authority for operation by others, to promote the public health needs within its area of operation and all utilities and facilities deemed by the Authority necessary or convenient for the efficient operation thereof, and the power to establish rates and charges for the services and use of the facilities of the Authority; and

WHEREAS, the Authority has heretofore constructed a nursing home and a personal care home and related facilities known as Muscogee Manor and Rehabilitation Center, Azalea Trace, and Cobis Personal Care Home (the "Current Facilities"), located within the territorial limits of Columbus, which is owned and operated by the Authority in furtherance of its purposes

Exhibit A

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WHEREAS, payments from Columbus under the provisions of this Contract are being pledged in accordance with the Resolution as additional security for the payment of the Series 2013 Certificates; and

WHEREAS, the acquisition, construction, and equipping of the New Facilities shall be in accordance with or substantially in accordance with plans, specifications, and recommendations relating thereto which are on file in the offices of the Authority and, by this reference thereto, are incorporated herein; and

WHEREAS, after a careful study and investigation, the Council of Columbus, Georgia (the "Council"), the governing body of Columbus, has determined that the purposes for which the Series 2013 Certificates are to be issued are in the best interest of the residents of Columbus in that the Authority will be able to continue to provide necessary and proper nursing and personal home care to the citizens within its area of operation, including Columbus's indigent persons; and

WHEREAS, for the reasons expressed above, Columbus agrees that the Authority should sell and issue the Series 2013 Certificates, dated the date of issuance and delivery thereof, maturing on July 1 in the years and principal amounts as follows, and bearing interest at the rates per annum specified below, payable on January 1 and July 1 in each year, beginning July 1, 2013:

Year	Principal Amount	Interest Rate
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WHEREAS, Columbus concurs in the need for the New Facilities and approves the sale, issuance, and delivery by the Authority of the Series 2013 Certificates for the purposes aforesaid; and

WHEREAS, the parties hereto are specifically authorized to enter into this Contract pertaining to the security for the Series 2013 Certificates pursuant to the provisions of Article IX, Section III, paragraph I(a) of the Constitution of the State of Georgia and the provisions of the Hospital Authorities Law; and

WHEREAS, Columbus, acting by and through the Council, desires to enter into this Contract with the Authority for the use of the services of the Authority and its Health Care System, all in the best interest of the residents of Columbus entitled to the use of such services and Health Care System; and

which include providing nursing home, rehabilitation and health care to the citizens of Columbus, including indigent citizens; and

WHEREAS, in order to provide a better standard of care for its patients the Authority is issuing its HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES, SERIES 2013 (the "Series 2013 Certificates") in an aggregate principal amount of \$ _____ to provide funds for the acquisition, construction and equipping of a new Muscogee Manor and Rehabilitation Center (the "New Facilities") to be located on property owned by the Authority at the northeast corner of the intersection of Williams Road and Whitesville Road, within the territorial limits of Columbus, and to pay capitalized interest and certain the Costs of Issuance; and

WHEREAS, the Current Facilities and the New Facilities are defined collectively as the "Health Care System" of the Authority; and

WHEREAS, the Series 2013 Certificates are being issued in accordance with the provisions of a resolution adopted by the Authority on January 17, 2013, as amended by a supplemental resolution adopted on _____, 2013 (together, the "Resolution"), certified copies of which have been placed on file in the office of the Clerk of Council of Columbus and which, by this reference thereto, are made a part hereof; and

WHEREAS, it is anticipated that revenues to be produced by the Health Care System will be sufficient to pay the debt service to become due on the Series 2013 Certificates, provide and maintain any necessary debt service reserves, and provide for the operation and maintenance of the Health Care System in accordance with the provisions of the Resolution and sound business practices; and

WHEREAS, the Authority has determined that the most feasible and economical way to secure the payment of the Series 2013 Certificates in addition to pledging the gross revenues of the Authority derived from the Health Care System is for the Authority to enter into this intergovernmental contract (this "Contract") with Columbus in accordance with the Hospital Authorities Law whereby Columbus agrees to the extent required and not to exceed four (4) mills of the seven (7) mill limitation currently prescribed in the Hospital Authorities Law to pay to or for the account of the Authority amounts sufficient to pay the debt service on the Series 2013 Certificates and to assure the continued operation and maintenance of the Health Care System for so long as the Series 2013 Certificates shall remain outstanding and unpaid; and

WHEREAS, Columbus hereby agrees that its obligations under any current contract for the provision of indigent care or any future contracts which it may hereafter enter into for indigent care combined with its obligations to the Authority pursuant to this Contract, as the same is executed and delivered or as it may be hereafter amended, shall not exceed the seven (7) mill limitation currently prescribed in the Hospital Authorities Law or such greater limitation as may be hereafter prescribed by law; and

WHEREAS, it is anticipated that the Gross Revenues (as defined in the Resolution) of the Health Care System, as it presently exists and as it hereafter shall be added to, extended, improved, and equipped, will be sufficient to pay the Debt Service on the Series 2013 Certificates and the Operating Expenses without the necessity of any payments by Columbus pursuant to this Contract; and

WHEREAS, if for any reason such revenue projections are not met, it is the intent of the parties hereto that the services and facilities of the Authority shall remain available to the citizens of Columbus and, regardless thereof, that the payments covenanted herein to be made by Columbus shall provide for payment of the Debt Service on the Series 2013 Certificates and the Operating Expenses of the Health Care System.

NOW, THEREFORE, for and in consideration of the premises and undertakings as hereinafter set forth, it is agreed by and between Columbus and the Authority, each acting by and through its duly authorized officers, pursuant to resolutions duly adopted and properly passed, as follows:

Section 1. Term of the Contract. This Contract shall be the binding obligation of the parties hereto from and after its execution by the parties hereto. The term of this Contract shall begin with the issuance and delivery of the Series 2013 Certificates and shall continue in full force and effect until the earlier of (i) July 1, 2034 or (ii) such time as the Series 2013 Certificates as to principal, premium, if any, and interest have been paid or until provision is duly made therefor, but in no event shall the term of this Contract exceed 40 years from the effective date hereof.

Section 2. Covenants and Agreements of the Authority.

The Authority covenants and agrees as follows:

(a) The Authority will promptly issue the Series 2013 Certificates and will in every respect comply with all provisions of the Resolution, including specifically the application of proceeds from the sale of the Series 2013 Certificates as provided in Section 401 thereof.

(b) Unless default shall have occurred on the part of Columbus in the performance of the covenants herein contained on its part to be performed, during the term of this Contract the Authority at all times will maintain the Health Care System or cause it to be maintained and available for the use of the elderly and disabled citizens of Columbus including indigent citizens of Columbus requiring nursing and personal care home facilities.

(c) So long as this Contract remains in full force and effect, the Authority shall not receive for admittance any indigent person other than a person who is considered medically indigent under regulations and guidelines established from time to time by the State Health Planning Agency, or such other State of Georgia agency as hereafter may succeed to its duties and responsibilities, except in case of emergency and the Authority shall make no charge for its services to any such persons meeting such criteria except as herein provided. This agreement, however, is not to be construed as preventing the Authority from accepting any voluntary

payments which any such patients receiving treatment or who use the Health Care System may wish to make on their own behalf or as prohibiting it from collecting any hospitalization, accident, health or other type insurance or governmental program of which such person may be a beneficiary, or from asserting its statutory hospital lien against any recovery to which such person may be entitled; and provided, further, that nothing herein shall prevent the Authority from making charges for its services when the services are rendered to persons who are not certified as indigent; provided, also, the Authority may make charges for services rendered to certain indigent persons on a pro-rata basis where such persons have been certified as being less than 100% indigent under guidelines established by the State Health Planning Agency, or such other State of Georgia agency as may succeed to its duties and responsibilities. The Authority may establish policies and criteria to certify indigent patients for treatment at the Health Care System and furnish to Columbus copies of such policies and criteria as the same may be established or revised from time to time.

(d) So long as this Contract remains in full force and effect, the Authority will maintain ownership of the Health Care System on as economical a basis as is consistent with good practice in similar nursing and personal care home facilities. The Authority shall undertake to operate the Health Care System and to fix its rates, fees, and charges so as to produce Gross Revenue sufficient to (i) pay the Debt Service on the Certificates as the same becomes due and payable, (ii) pay the Operating Expenses of the Health Care System, (iii) pay the Debt Service Reserve Requirement (if any), and (iv) provide for the establishment and maintenance of a Renewal and Extension Fund and such other reasonable reserves as the Authority may deem advisable, and, thereby, to the extent it is able to do so, reduce the amount of the payments which otherwise might be required of Columbus, from time to time, pursuant to the provisions of this Contract. As between the parties hereto, the Authority shall be and remain the final arbiter and judge as to whether any proposed revision of its rates, fees, and charges referred to in this paragraph will be consistent with its obligation to provide medical care and hospitalization to Columbus's indigent sick and otherwise to provide for the other public health and welfare needs of Columbus. The Authority agrees to maintain, or cause to be maintained on its behalf, complete and adequate records, not only concerning the care and treatment of patients, but also of administrative, clerical, and financial affairs of the Health Care System, and any information disclosed by such records reflecting upon the financial responsibility and eligibility of patients for assistance in any form from Columbus or from any public or private agency shall be made available to Columbus or public agency and shall be made available to such private agency upon reasonable and proper request therefor being made by or on behalf of the patient in question.

(e) The Authority will cause an audit of its financial affairs, books, and records to be made in accordance with generally accepted accounting principles at the end of each fiscal year by an independent certified public accountant or firm of certified public accountants. The complete and final audit report will be submitted to the Authority, with a copy to the Council, not later than 120 days after the close of the Authority's fiscal year. Such audit shall comply in all respects with the Hospital Authorities Law and the provisions of Section 712 of the Resolution. Upon request, the Authority will supply Columbus any interim financial statements which are prepared in the ordinary course of business, and the Authority will make all of the Health Care Systems' books and records available to the Council at any time, upon reasonable notice.

appropriate and provide all sums hereinafter agreed upon to pay the cost of the use of the Health Care System by Columbus or the residents thereof pursuant to this Contract.

(c) Columbus shall pay to the Authority for such care to be provided by the Health Care System money sufficient to provide for the payment of the Debt Service on the Certificates as the same becomes due and payable, in the following manner:

Commencing on or before the third day prior to each Interest Payment Date or Principal Payment Date, for so long as any of the Certificates or the interest thereon remain outstanding and unpaid, Columbus shall deposit directly into the Sinking Fund, in immediately available funds, the amount set forth in the notice given by the Sinking Fund Custodian to Columbus pursuant to Section 2(f) hereof, which will be the amount as necessary for the Authority to comply with the provisions of Section 501 of the Resolution. If the total of the sums so deposited to the credit of the Sinking Fund at any time shall be less than the amount required, the payment of the difference between the amount so deposited and the required amount shall constitute a continuing obligation of Columbus until the Sinking Fund is at its proper balance. Said payments made directly to the Sinking Fund Custodian for the account of the Authority shall be deposited into the Sinking Fund so as to assure the availability of money to enable the Authority at all times to pay in full the Debt Service on the Certificates as the same becomes due and payable, either at maturity, [by scheduled mandatory redemption,] or acceleration (as provided in Section 802 of the Resolution).

Nothing contained herein shall be construed to require Columbus to make any payments for deposit to the Sinking Fund whenever and for so long as the money on deposit in the Sinking Fund shall be sufficient to pay all outstanding Certificates payable from the Sinking Fund at their respective maturities and the interest which will become due and payable thereon at or prior to their respective maturities or scheduled mandatory redemption dates. Columbus, at its option, may make additional payments for deposit to the Sinking Fund from any money which may be made available and authorized by law to be paid for such purpose.

(d) In addition to, and subordinate to, any money to be paid to the Authority by Columbus pursuant to the provisions of paragraph (c) of this Section 3, Columbus shall make additional payments to the Authority as may be necessary from time to time to assure the continued operation, maintenance, and repair of the Health Care System during the term of this Contract. Any payments by Columbus which are required pursuant to this paragraph (d) of Section 3 shall be made immediately upon receipt of written notice from the Authority that money otherwise available to the Health Care System for such purpose are insufficient by a specified amount to pay the then due and past due Operating Costs of the Health Care System.

(e) Columbus shall levy annually during the term of this Contract an ad valorem tax, exclusive of all other taxes which may be levied by Columbus, upon all the taxable property in Columbus to the extent required but at a rate not to exceed four (4) mills of the seven (7) mill limit authorized by the Hospital Authorities Law, as may be necessary to make the payments called for by this Contract. Nothing herein contained, however, shall be construed as limiting the

(f) On June 21 and December 21 in each year during the term of this Contract, or if any such date falls on a Saturday, Sunday or a holiday, then on the next succeeding business day, the Authority shall cause the Sinking Fund Custodian to determine the amount of money then in the Sinking Fund, or on hand in either the Revenue Fund or the Reserve Fund (if established) and available for transfer to the Sinking Fund (the object of said determination being to decrease the obligation of Columbus to make the payments under Section 3 of this Contract) and available for the payment of the Debt Service coming due on the Certificates on the next Interest Payment Date or Principal Payment Date, and the Sinking Fund Custodian shall notify the Authority and Columbus, in not less than one business day, of the amount, if any, Columbus must pay to the Sinking Fund in order for the Authority to comply with the provisions of Section 501 of the Resolution. The Authority shall include in its depositary or custodial agreement with the Sinking Fund Custodian an obligation for the Sinking Fund Custodian to make the determination and provide the notice required by the foregoing provisions of this Section 2(f). If for any reason the Sinking Fund Custodian shall fail to make such determination and provide such notice the Authority shall immediately do so.

(g) All payments made by Columbus (i) under the provisions of Section 3(c) hereof shall be deposited directly by Columbus in the Sinking Fund and such funds shall be used only for the payment of the principal of and interest (and redemption premium, if any) on the Certificates as the same become due and the other purposes described in Section 507 of the Resolution, and (ii) under the provisions of Section 3(d) hereof shall be deposited directly by Columbus in the Revenue Fund and such funds shall be used only for the payment of Operating Expenses of the Health Care System.

(h) The Authority shall not hereafter issue any other obligations of any kind payable from or enjoying a pledge of or lien on the funds authorized to be appropriated and paid by Columbus hereunder prior or superior to, or on parity with (except as provided in the Resolution), the pledge of or lien thereon for the payment of the Certificates. Nothing contained herein, however, shall restrict the issuance of additional obligations from time to time, at the sole discretion of the Authority, payable from the Gross Revenues of the Health Care System if such additional obligations are in all respects subordinate to the pledge of or lien on said funds and Gross Revenues to the Certificates.

Section 3. Covenants and Agreements of Columbus.

Columbus covenants and agrees as follows:

(a) For and during the term of this Contract, Columbus shall send all of the "indigent," as defined in Section 4(c), entitled to receive nursing home care and personal care home care and attention, to the Health Care System and to no other for the rendition of such care and attention and shall pay for such services so rendered as herein provided.

(b) In order to provide medical care for the indigent elderly and disabled and others entitled to the use of the Health Care System, Columbus, acting by and through its Council, shall

right of Columbus to pay its obligations hereunder assumed out of its general funds or from other sources available to it.

(f) Any payments made by Columbus under this Contract are pledged by the Authority to secure the payment of the Series 2013 Certificates in accordance with the Resolution. There is hereby created a first and paramount lien on any and all tax revenue received by Columbus under or pursuant to the provisions hereof to secure the payment of the Debt Service on the Series 2013 Certificates, and the lien of this pledge shall be valid and binding against Columbus and against all parties having claims of any kind against Columbus whether such claims shall arise from tort, contract or otherwise and irrespective of whether such parties have notice thereof. Until paid as herein required, Columbus shall hold all proceeds of taxes collected for such purpose in a separate and special fund, in trust, the beneficial interest in which shall be in the Authority or the holders of the Series 2013 Certificates as their interest may from time to time appear. The lien created herein on up to four (4) mills of the seven (7) mill limitation currently prescribed in the Hospital Authorities Law shall be exclusively pledged to this contract notwithstanding any contractual lien which exists between Columbus and the Medical Center Hospital Authority of Columbus and any contractual lien which hereafter may be entered into by Columbus, except that said lien on four (4) mills may be extended, with the consent of Columbus, to cover any Parity Certificates which may be issued hereafter pursuant to the Resolution.

(g) So long as any Certificates are outstanding and unpaid, Columbus hereafter shall not enter into a contract with the Authority or any other entity which creates a lien on revenues to be derived from the tax to be levied hereunder superior to the lien created hereunder.

(h) Columbus shall not enter into any other contract with the Authority or any other entity which provides for payment to be made by Columbus from money derived from the levy of a tax, within the maximum millage now or hereafter authorized by the Hospital Authorities Law, if the annual payment of all amounts payable or currently budgeted under all contracts then in existence with the Authority, the Medical Center Hospital Authority of Columbus or any other entity, together with the annual payment of all amounts to be made under the proposed contract in each future Sinking Fund Year, would exceed the amount then capable of being produced by a levy of a tax within the maximum millage now or hereafter authorized by the Hospital Authorities Law, as shown by the latest tax digest of Columbus available immediately preceding the execution of any such contract or supplemental contract.

(i) The obligation of Columbus to make the payments required pursuant to the provisions of this Section 3 at the times and in the manner specified shall be absolute and unconditional and such payments shall not be abated or reduced because of damage to or destruction of the Health Care System or for any reason whatsoever. Furthermore, Columbus shall not exercise any right of set-off or any similar right with respect to such payments, nor will it withhold any such payments because of any claimed breach of this Contract by the Authority. This provision is incorporated herein for the benefit of the owners of the Certificates and it shall not affect the obligation of the Authority to perform this Contract or otherwise, nor shall this provision otherwise affect the remedies available to Columbus on account of any such claimed breach by the Authority.

(j) This Contract is being entered into in accordance with the Hospital Authorities Law, specifically O.C.G.A. §31-7-84, which section authorizes Columbus to levy an ad valorem tax not exceeding seven (7) mills exclusive of all other taxes which may be levied by Columbus. Consequently, the payment obligation of Columbus under this Contract is an extraordinary expense, not subject to the nine (9) mill *ad valorem* tax limitation contained in Section 7-102 of the Columbus Charter. In the validation proceedings for the Series 2013 Certificates in the Superior Court of Muscogee County, Columbus will request the court to rule that such a classification is proper and that such contractual obligations are not subject to the nine (9) mill limitation.

Section 4. Mutual Agreements.

The Authority and Columbus mutually agree as follows:

(a) The Authority shall pay the Debt Service on the Series 2013 Certificates as the same becomes due and payable. The money to be received by the Authority from Columbus pursuant to this Contract for the payment of Debt Service, as well as the Gross Revenues of the Health Care System otherwise obtained, have been irrevocably pledged to the payment of the Debt Service on the Series 2013 Certificates as the same becomes due and payable.

(b) After the issuance of the Series 2013 Certificates, the Authority from time to time may issue Parity Certificates provided that all conditions of Section 509 of the Resolution are satisfied, including specifically the entering into of an amendment to this Contract or a new contract. Columbus has made no commitment to the Authority relating to the issuance of Parity Certificates and shall be under no compulsion to amend this Contract or execute a new contract to permit such issuance.

(c) The term "indigent" as used herein shall be construed to mean such persons living in Columbus as shall be certified by Columbus or determined by the Authority as being entitled to receive the nursing and personal care home services of the Health Care System. The services and facilities of the Health Care System hereinbefore referred to is construed to mean the usual care rendered to patients in a nursing home or personal care home, including food, general nursing care and supervision (but not a special nurse), use of the usual and customary out-patient clinical services and facilities, medicine and drugs. All other services, facilities, and materials not specifically enumerated above shall constitute extras and be accounted and paid for accordingly.

(d) The provisions of the Hospital Authorities Law are incorporated herein as a part hereof as though fully set forth herein verbatim.

(e) Nothing set forth herein shall prevent the Authority from entering into a lease or management agreement or similar arrangement with respect to the Health Care System, or effecting a reorganization or restructuring, all as contemplated by the Resolution, so long as the conditions set forth in the Resolution relating thereto are complied with, and no such agreement,

arrangement, reorganization or restructuring shall affect the validity of this Contract or the obligation of Columbus to make the payments provided for hereunder.

(f) While this Contract is between the parties hereto, it is acknowledged that the holders of the Series 2013 Certificates have an interest herein and are third party beneficiaries of this Contract, and the parties hereto covenant for the benefit of said holders that this Contract cannot be modified or amended in any particular which would in any respect adversely affect the rights of any such holders; provided, however, this Contract may be amended by increasing the obligation of Columbus to make payments so as to permit the issuance of Parity Certificates in accordance with Section 509 of the Resolution, in which event the holders of the Parity Certificates also shall have an interest herein and shall be third party beneficiaries of this Contract, but no such amendment may decrease the payments to be made with respect to the Series 2013 Certificates.

(g) Should any phrase, clause, sentence or paragraph herein contained be held invalid or unconstitutional, it shall in nowise affect the remaining provisions of this Contract, which said provisions shall remain in full force and effect.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto, acting by and through their duly authorized officers, have caused this Contract to be executed in duplicate as of the day and year first above written.

COLUMBUS, GEORGIA

(S E A L)

By: _____
Mayor

Attest: _____
Clerk of Council

Sworn to and subscribed before me
this _____ day of _____, 2013.

Notary Public

HOSPITAL AUTHORITY OF
COLUMBUS, GEORGIA

(S E A L)

By: _____
Chairman

Attest: _____
Secretary

Sworn to and subscribed before me
this _____ day of _____, 2013.

Notary Public

[Signature Page to Contract]

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APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Hospital Authority of Columbus, Georgia (the “Authority”), a body corporate and politic, which is deemed to be a public corporation of the State of Georgia, and the Consolidated Government of Columbus, Georgia (“Columbus”), a political subdivision of the State of Georgia, in connection with the issuance of the HOSPITAL AUTHORITY OF COLUMBUS REVENUE ANTICIPATION CERTIFICATES, SERIES 2013, in the aggregate principal amount of \$35,000,000* (the “Series 2013 Certificates”). The Series 2013 Certificates are being issued pursuant to a resolution adopted by the Authority on January 17, 2013, as supplemented and amended by a supplemental resolution adopted by the Authority on _____, 2013 (together, the “Resolution”).

The Authority and Columbus covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority and Columbus for the benefit of the Holders and Beneficial Owners of the Series 2013 Certificates (the “Certificate Holders”) and in order to assist the Participating Underwriter (defined below) in complying with the continuing disclosure requirements of U.S. Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” means the Authority Report and Columbus Report, collectively, provided by the Authority or Columbus pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Authority” means the Hospital Authority of Columbus, Georgia, a body corporate and politic, which is deemed to be a public corporation of the State of Georgia.

“Authority Report” means the Authority’s portion of the Annual Report provided by the Authority (or the Dissemination Agent if other than the Authority) containing the information required pursuant to, and as described in, Section 4(a)(ii) of this Disclosure Certificate.

“Beneficial Owner” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2013 Certificates (including persons holding Series 2013 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2013 Certificates for federal income tax purposes.

“Columbus” means the Consolidated Government of Columbus, Georgia.

“Columbus Report” or “CAFR” means Columbus’s Comprehensive Annual Financial Report, made available to the Authority (or the Dissemination Agent if other than the Authority) containing the information required pursuant to, and as described in, Section 4(a)(iii) of this Disclosure Certificate.

“Dissemination Agent” means the Authority, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Market Access System which became effective July 1, 2009, and receives electronic submissions of the Annual Report on the EMMA website at <http://www.emma.msrb.org>.

“Fiscal Year” means any period of 12 consecutive months adopted by the Authority for its fiscal year for financial reporting purposes and any period of 12 consecutive months adopted by the governing body of Columbus as Columbus’s fiscal year for financial reporting purposes. Both the Authority’s and Columbus’s current fiscal year began on July 1, 2012, and will end on June 30, 2013.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“Obligated Person” has the meaning set forth in the Rule.

“Participating Underwriter” means any of the original underwriters of the Series 2013 Certificates required to comply with the Rule in connection with the offering of the Series 2013 Certificates.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Authority will provide (or cause the Dissemination Agent if other than the Authority to provide) electronically to EMMA, not later than 180 days after the end of the Authority’s Fiscal Year, commencing with the Annual Report for the 2013 Fiscal Year, an Authority Report containing information consistent with the requirements of Section 4(a)(ii) of this Disclosure Certificate. Columbus will make available to the Authority (or to the Dissemination Agent if other than the Authority), not later than 180 days after the end of Columbus’s Fiscal Year, commencing with the Annual Report for the 2013 Fiscal Year, Columbus’s Comprehensive Annual Financial Report (“CAFR”), which CAFR contains information consistent with the requirements of Section 4(a)(iii). The Authority will provide the Authority Report and Columbus’s CAFR (together, the “Annual Report”), or cause the Dissemination Agent (if other than the Authority) to provide, electronically to EMMA, not later than 180 days after the end of the Authority’s Fiscal Year, an Annual Report consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) The Authority will provide, or cause the Dissemination Agent (if other than the Authority) to provide electronically to EMMA, not later than 180 days after the end of the Authority’s fiscal year ended June 30, 2013, or if unavailable at that time then as soon thereafter as is available, the audited financial statements of the Authority.

(c) The Annual Report will be made to EMMA as PDF files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority and Columbus may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. In such event, the audited financial statements will be submitted promptly upon their availability. If the Authority's or Columbus's fiscal year changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(d) Not later than fifteen (15) business days prior to the date specified in paragraph (a) of this Section 3 for providing the Annual Report to EMMA, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is unable to provide an Annual Report by the date required in paragraph (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall:

(i) determine each year, prior to the date for providing the Annual Report, the manner of filing with EMMA; and

(ii) (if the Dissemination Agent is other than the Authority) file a report with the Authority and Columbus certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to EMMA.

SECTION 4. Content of Annual Reports.

(a) The Authority's and Columbus's Annual Report shall contain or incorporate by reference:

(i) The general purpose financial statements of the Authority for the prior fiscal year and the general purpose financial statements of Columbus for the prior Fiscal Year, both prepared in accordance with generally accepted accounting principles as applicable to governmental entities from time to time by the Governmental Accounting Standards Board except for (i) the variances, and omissions disclosed in the Official Statement relating to the Certificates and (ii) such other minor deviations or omissions which do not materially misstate the financial position of the Authority and Columbus. Such general purpose financial statements shall be accompanied by an audit report, if available at the time of providing the Annual Report as provided in Section 3 hereof, resulting from an audit conducted by an independent certified public accountant or a firm of independent certified public accountants in conformity with generally accepted auditing standards. If such audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Disclosure Certificate, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement for the Series 2013 Certificates, and the audited financial statements, together with the audit report thereon, will be provided in the same manner as the Annual Report when they become available.

(ii) Information for the preceding Fiscal Year regarding the following categories of financial information and operating data of the Authority, which shall be consistent with the information contained in the Official Statement relating to the Series 2013 Certificates under the headings “THE HEALTH CARE SYSTEM -Employees, Employee Relations, Labor Organizations, and Employee Benefits; -Service Area Demographic and Economic Information; -Competitive Data; -Accreditation and Licenses; -Executive Administration of the Health Care System; -Staff; -Malpractice and Other Insurance; -Rates and Charges; -Historical Utilization of the Health Care System; -Sources of Revenue; -Sources of Payment; DEBT STRUCTURE OF THE AUTHORITY -Categories of Long-Term and Short-Term Indebtedness; FINANCIAL INFORMATION CONCERNING THE AUTHORITY, -Management Comments Concerning Material Trends in Revenues and Expenditures; -Budgetary Process.”

(iii) Information for the preceding Fiscal Year regarding the following categories of financial information and operating data of Columbus, which shall be consistent with the information contained in the Official Statement relating to the Series 2013 Certificates under the headings “DEBT STRUCTURE OF COLUMBUS, -Categories of Indebtedness; -Indebtedness of Overlapping Governmental Entities; -Debt Ratios; -Long and Short Term Indebtedness; -Debt Limitation; FINANCIAL INFORMATION CONCERNING COLUMBUS -Budgetary Process; -Employee Pension Plan; -Governmental Immunity and Insurance Coverage; COLUMBUS AD VALOREM TAXATION -Tax Digest; -Ten Largest Taxpayers; -Property Tax Levies and Collections; -Millage Rates.”

(iii) If generally accepted accounting principles have changed since the last Annual Report was submitted pursuant to Section 3 hereof and if such changes are material to the Authority or Columbus, a narrative explanation describing the impact of such changes on the Authority or Columbus.

(b) Any or all of the items listed above may be incorporated by specific reference to other documents, including official statements of debt issues with respect to which the Authority or Columbus is an “obligated person” (as defined by the Rule), which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority and Columbus shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall provide or cause to be provided through the Dissemination Agent to EMMA, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Series 2013 Certificates:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions , the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the Series 2013 Certificates.
7. Modifications to rights of Bondholders, if material.
8. Series 2013 Certificate calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Series 2013 Certificates, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Authority or Columbus. This event is considered to have occurred when any of the following have occurred: (i) appointment of receiver, fiscal agent or similar officer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority or Columbus, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority or Columbus.
13. The consummation of a merger, consolidation, or acquisition involving the Authority or Columbus or the sale of all or substantially all of the assets of the Authority or Columbus, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Notwithstanding the foregoing, notice of Listed Events described in paragraph (a)(8) and (9) above need not be given under this Section 5 any earlier than the notice (if any) of the underlying event is given to Certificate Holders of affected Series 2013 Certificates pursuant to the Resolution.

(c) The content of any notice of the occurrence of a Listed Event shall be determined by the Authority and Columbus and shall be in substantially the form attached as Exhibit B.

SECTION 6. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority or Columbus from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence

of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority and Columbus choose to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority and Columbus shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 7. Termination of Reporting Obligation. The Authority and Columbus reserve the right to terminate their obligations under this Disclosure Certificate if and when the Authority or Columbus no longer remain an Obligated Person with respect to the Series 2013 Certificates within the meaning of the Rule; in particular upon the occurrence of the legal defeasance, prior redemption, or payment in full of all of the Series 2013 Certificates. If such termination or substitution occurs prior to the final maturity of the Series 2013 Certificates, the Authority or Columbus will provide notice of such termination or substitution to EMMA.

SECTION 8. Dissemination Agent. The Authority, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent other than the Authority shall not be responsible in any manner for the content of any notice or report prepared by the Authority or Columbus pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Authority.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the Authority and Columbus may amend this Disclosure Certificate if:

(a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Obligated Person on the Series 2013 Certificates, or type of business conducted;

(b) such amendment is supported by an opinion of counsel expert in federal securities laws, to the effect that the undertakings contained herein, as amended, would have complied with the requirements of the Rule on the date hereof, after taking into account any amendments or official interpretations of the Rule, as well as any change in circumstances; and

(c) such amendment does not materially impair the interests of the Certificate Holders, as determined either by an unqualified opinion of nationally recognized bond counsel filed with the Authority or Columbus, or by the approving vote of the Certificate Holders pursuant to the terms of the Resolution at the time of such amendment.

If any provision of this Disclosure Certificate is amended, the first release of the Annual Report containing any amended financial information or operating data shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being provided. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5 and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form)

between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Default. If the Authority or Columbus fails to comply with any provision of this Disclosure Certificate, any Certificate Holder's right to enforce the provisions of this undertaking shall be limited to a right to obtain mandamus or specific performance by court order of the Authority's and Columbus's obligations pursuant to this Disclosure Certificate. Any failure by the Authority and Columbus to comply with the provisions of this Disclosure Certificate shall not be an event of default with respect to the Series 2013 Certificates under the Resolution.

SECTION 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent (if other than the Authority) shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent allowed by applicable law, the Authority and Columbus agree to indemnify and save the Dissemination Agent (if other than itself), its officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority and Columbus under this Section 11 shall survive resignation or removal of the Dissemination Agent (if other than itself) and payment of the Series 2013 Certificates.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, Columbus, the Dissemination Agent (if other than the Authority), the Participating Underwriter, and Certificate Holders, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Georgia.

SECTION 15. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Date: _____, 2013

HOSPITAL AUTHORITY
OF COLUMBUS, GEORGIA

(S E A L)

By: _____
Chairman

COLUMBUS, GEORGIA

(S E A L)

By: _____
Mayor

Attest: _____
Clerk of Council

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Hospital Authority of Columbus (Georgia)

Name of Obligors: Hospital Authority of Columbus (Georgia) and
Columbus, Georgia

Name of Bond Issue: \$35,000,000* HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA, REVENUE
ANTICIPATION CERTIFICATES, SERIES 2013 (the “Series 2013 Certificates”)

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the Obligors have not provided an Annual Report with respect to the above-named Series 2013 Certificates as required by the Continuing Disclosure Certificate executed by the Obligors on _____, 2013. The Obligors anticipate that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

[Name of Dissemination Agent]

By: _____

EXHIBIT B

NOTICE OF THE OCCURRENCE OF [INSERT THE LISTED EVENT]

Relating to

\$35,000,000* HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA
REVENUE ANTICIPATION CERTIFICATES, SERIES 2013
(the “Series 2013 Certificates”)

CUSIP NUMBERS¹:

Notice is hereby given that [insert the Listed Event] has occurred. [Describe circumstances leading up to the event, action being taken, and anticipated impact.]

This notice is based on the best information available at the time of dissemination and is not guaranteed as to accuracy or completeness. Any questions regarding this notice should be directed to [insert instructions for presenting securities, if applicable].

[Notice of a Listed Event constituting defeasance shall include the following:

The Hospital Authority of Columbus, Georgia, hereby expressly reserves the right to redeem such refunded or defeased certificates prior to their stated maturity date in accordance with the optional redemption provisions of said defeased certificates.

OR

The Hospital Authority of Columbus, Georgia, hereby covenants not to exercise any optional or extraordinary redemption provisions under the Resolution; however, the Sinking Fund provision will survive the defeasance.

AND

The Series 2013 Certificates have been defeased to [maturity/the first call date, which is _____, 20____]. This notice does not constitute a notice of redemption and no certificates should be delivered to the Hospital Authority of Columbus, Georgia, or the Paying Agent as a result of this mailing. A Notice of Redemption instructing you where to submit your certificates for payment will be mailed _____ to _____ days prior to the redemption date.]

Dated: _____, 20____

[Name of Dissemination Agent]

By: _____

¹ No representation is made as to the correctness of the CUSIP number either as printed on the certificates or as contained herein, and reliance may only be placed on other bond identification contained herein.

APPENDIX E
PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

The form of Legal Opinion included in this Appendix E has been prepared by Gray Pannell & Woodward LLP, Savannah, Georgia, Bond Counsel, and is substantially the form to be given in connection with the delivery of the Series 2013 Certificates.

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_____, 2013

Hospital Authority of Columbus
Columbus, Georgia

Re: \$35,000,000* HOSPITAL AUTHORITY OF COLUMBUS REVENUE ANTICIPATION CERTIFICATES, SERIES 2013

To the Addressees:

We have acted as bond counsel in connection with the issuance by the Hospital Authority of Columbus (the "Authority") of its HOSPITAL AUTHORITY OF COLUMBUS REVENUE ANTICIPATION CERTIFICATES, SERIES 2013, in the aggregate principal amount of \$35,000,000 dated as of the date of issuance and delivery thereof (the "Series 2013 Certificates"). As bond counsel, we have examined the following documents:

- (i) the Constitution and general laws of the State of Georgia, including specifically the Hospital Authorities Law of Georgia, codified in O.C.G.A. § 31-7-70, *et seq.* (the "Act") and the Revenue Bond Law, codified in O.C.G.A. § 36-82-60, *et seq.*, as amended;
- (ii) the resolution adopted by the Authority on January 17, 2013, as supplemented and amended by a supplemental resolution adopted by the Authority on _____, 2013 (the "Resolution"), authorizing and providing, among other things, for the issuance of the Series 2013 Certificates and the execution of the hereinafter defined Contract;
- (iii) certified copies of proceedings of the Authority preliminary to and in connection with the execution, issuance, and delivery of the Series 2013 Certificates;
- (iv) a fully executed counterpart of a Contract, dated as of the date hereof (the "Contract"), between Columbus, Georgia ("Columbus") and the Authority;
- (v) the opinion of Hatcher, Stubbs, Land, Hollis & Rothschild, LLP, as counsel for the Authority;
- (vii) the opinion of Clifton Fay, Esquire, as counsel for Columbus; and
- (viii) a certified transcript of the validation proceedings in the Superior Court of Muscogee County, Georgia, validating the Series 2013 Certificates and the security therefor.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Resolution and in the certified proceedings, and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Hospital Authority of Columbus

_____, 2013

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The Series 2013 Certificates are subject to transfer, exchange, and redemption at the times, in the manner, and on the terms specified in the Resolution. The Series 2013 Certificates are being issued pursuant to a book-entry system in fully registered form. The principal of the Series 2013 Certificates matures on July 1 in the years and amounts set forth in the Resolution. Interest on the Series 2013 Certificates is payable on January 1 and July 1 of each year, beginning July 1, 2013, in the manner stated in each such Series 2013 Certificate, until the obligation with respect to the payment of the principal of and interest on such Series 2013 Certificate shall be discharged.

The Authority, from time to time, under certain terms and conditions as provided in the Resolution, may issue additional obligations on a parity with the Series 2013 Certificates.

Pursuant to the Contract, Columbus is obligated to make payments to the Authority sufficient in amount to pay the principal of and interest on the Series 2013 Certificates as the same become due and payable, to the extent the Gross Revenues of the Hospital pledged to such payment are insufficient for such purposes. Columbus is obligated under the Contract to levy an annual *ad valorem* tax on all taxable property located within the territorial limits of Columbus, at a rate not to exceed four mills of the seven mill limit authorized under the Act, as may be necessary to produce in each year revenues which are sufficient to fulfill Columbus's obligations under the Contract. The Contract creates a first and paramount lien on any and all tax revenue received by Columbus under or pursuant to the provisions of the Contract to secure the payment of the debt service on the Series 2013 Certificates, and any certificates of the Authority hereafter issued on a parity therewith, and the lien of said pledge shall be valid and binding against Columbus and against all parties having claims of any kind against Columbus whether such claims shall arise from tort, contract or otherwise and irrespective of whether such parties have notice thereof.

The Series 2013 Certificates are being issued to provide funds, together with other available funds of the Authority to (i) finance a portion of the cost of acquiring, constructing and equipping a new facility for Muscogee Manor and Rehabilitation Center and (ii) pay the fees and expenses incurred in connection with the issuance of the Series 2013 Certificates.

The legal opinions expressed herein are based upon existing law, are subject to judicial discretion regarding usual equity principles and do not relate to compliance by the Authority, the initial purchasers of the Series 2013 Certificates, or any other party with any statute, regulation, or ruling of the State of Georgia or the United States of America regarding the sale (other than the initial sale by the Authority) or distribution of the Series 2013 Certificates except as specifically set forth in this opinion.

The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2013 Certificates for interest thereon to be and remain excluded from gross income for purposes of federal income taxation. Non-compliance with such requirements may cause interest on the Series 2013 Certificates to be included in gross income retroactively to the date of issue thereof. The Authority has covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion from federal gross income of interest on the Series 2013 Certificates.

Based on the examinations, opinions, and representations referred to above, we are of the opinion that as of the date hereof and under existing law:

1. The Authority was duly created and is validly existing as a public body corporate and politic pursuant to the Act, and the Authority has all requisite power and authority to (a) adopt the Resolution and perform the agreements on its part contained therein, (b) issue, sell, and deliver the Series 2013 Certificates and to use the proceeds thereof pursuant to the terms and conditions and for the purposes set forth in the Resolution, and (c) enter into, execute and deliver, and perform its obligations under the Contract.

2. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and constitutes a valid and binding obligation of the Authority in accordance with its terms. The Authority has obtained all required consents and approvals for the issuance of the Series 2013 Certificates.

3. The Contract has been duly authorized, executed, and delivered by Columbus and the Authority and constitutes the legal, valid, and binding obligation of the parties thereto enforceable in accordance with the terms thereof.

4. The Series 2013 Certificates have been properly authorized by the Resolution, have been duly executed, authenticated, and issued in accordance with the terms of the Resolution and in accordance with the Constitution and laws of the State of Georgia, and are the legal, valid, and binding limited special obligations of the Authority.

5. The Resolution creates a valid first pledge of and lien on the Gross Revenues derived by the Authority from its ownership of and operation of Muscogee Manor and Rehabilitation Center, Cobis Personal Care Home, Azalea Trace Nursing Center, and Muscogee Home Health, which includes Muscogee Private Duty (collectively, the "Current Facilities") and the new Muscogee Manor and Rehabilitation Center, upon completion (the "New Facilities" and together with the Current Facilities, the "Health Care System"). The Authority may sell or dispose of portions of its Current Facilities upon completion of the New Facilities and may lease or dispose of portions of its Health Care System under the terms and conditions set forth in the Resolution. There are no pledges of or liens on said Gross Revenues, or that hereafter can be created or made thereon, which take or will take priority over the lien created thereon and pledge made thereof by the Resolution. Said pledge of and lien on said Gross Revenues secures the payment of the principal of, premium, if any, and interest on the Series 2013 Certificates, and any parity certificates hereafter issued by the Authority.

6. The Series 2013 Certificates and the security therefor, including the Resolution and the Contract, have been duly confirmed and validated by judgment of the Superior Court of Muscogee County, Georgia, and no valid appeal may be taken from said judgment of validation.

7. The Series 2013 Certificates do not constitute an indebtedness of Columbus, the State of Georgia, or any political subdivision thereof, or a pledge of the faith and credit of Columbus, the State of Georgia, or any political subdivision thereof. The Series 2013 Certificates are payable solely from the special fund provided therefor and the specific revenues pledged

Hospital Authority of Columbus

_____, 2013

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therefor in the Resolution, including any payments which Columbus is obligated to make pursuant to the Contract, and shall not directly, indirectly or contingently obligate the State of Georgia or any political subdivision thereof to levy or pledge any form of taxation whatsoever or to make any appropriation for the payment thereof, except for the *ad valorem* tax which Columbus is obligated to levy under the Contract. No owner of any of the Series 2013 Certificates shall ever have the right to compel the exercise of the taxing power of Columbus, the State of Georgia, or any political subdivision thereof to pay the same or the interest thereon, except to levy the *ad valorem* tax which Columbus is obligated to levy under the Contract.

8. Pursuant to the Contract, Columbus is obligated to levy an annual tax on all taxable property within the territorial limits of Columbus at a rate not to exceed four mills of the seven mill limit authorized under the Act, as may be necessary to produce in each year revenues which, together with other revenues of the Authority legally available therefor and used as provided in the Contract, shall be sufficient to fulfill Columbus's obligations thereunder. The Contract has been duly authorized, executed, and delivered by Columbus and constitutes the legal, valid, and binding obligation of Columbus enforceable against Columbus.

Assuming compliance with the aforementioned covenant by the Authority to maintain the exclusion from federal gross income of interest on the Series 2013 Certificates, interest on the Series 2013 Certificates is excluded from gross income for federal income tax purposes and the interest thereon is exempt from taxation by the State of Georgia and any of its political subdivisions. The interest on the Series 2013 Certificates will not be included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Although we have rendered an opinion that interest on the Series 2013 Certificates is excluded from gross income for federal income tax purposes, a Certificateholder's federal tax liability may otherwise be affected by the ownership or disposition of the Series 2013 Certificates. The nature and extent of these other tax consequences will depend upon the Certificateholder's other items of income or deduction. We express no opinion regarding any such other tax consequences.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Yours very truly,

GRAY PANNELL & WOODWARD LLP

By: _____
A Partner

APPENDIX F
INVESTMENT AND RISK CONSIDERATIONS

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INVESTMENT AND RISK CONSIDERATIONS

The following discussion of certain risks that could affect payments to be made by the Authority with respect to the Series 2013 Certificates is not intended to be definitive, but is intended to summarize certain matters that could adversely affect the ability of the Authority to make such payments. No representation is made or assurance given that revenues, as presently estimated or otherwise, will be realized by the Authority in the amounts necessary to make the required payments of principal of, premium, if any, and interest on the Series 2013 Certificates. The estimates of future revenues and expenses, and the realization of such estimates, are subject to, among other things, the capabilities of the management of the Authority, the return on investments, and governmental policies and controls affecting the health care industry, including decreases in federal and state payment programs, imposition of government wage and price controls, and future economic conditions and other conditions which are unpredictable and which may affect revenues and payment of principal of, and premium, if any, and interest on the Series 2013 Certificates. In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto.

General

The Series 2013 Certificates will be limited obligations of the Authority payable solely from and secured by a pledge of the Gross Revenues of the Health Care System and certain funds held under the Resolution. In addition, the Series 2013 Certificates are secured by payments to be paid by Columbus to the Authority pursuant to the Contract, wherein Columbus is obligated to make payments to the Authority sufficient to pay the principal of and interest on the Series 2013 Certificates as the same become due and payable, to the extent funds of the Health Care System pledged to such payment are insufficient for such purposes. Pursuant to the terms of the Contract, Columbus has agreed to levy an annual ad valorem tax on all taxable property located within the territorial limits of Columbus, at such rates within a four (4) mill rate limit as may be necessary to produce in each year revenues which are sufficient to fulfill Columbus's obligations under the Contract.

Future economic conditions and other conditions, including demand for health care services, the ability of the Authority to provide the services required by residents, physicians' confidence in the Health Care System, economic developments in Columbus, together with changes in rates, costs, third party reimbursement, and governmental regulation, may adversely affect revenues and expenses and, consequently, the Authority's ability to make debt service payments. Enforcement of remedies under the Resolution may be limited or restricted by laws relating to bankruptcy and rights of creditors and by application of general principles of equity.

The Authority receives a significant proportion of its revenues from government programs, and it is unlikely that the Authority could ever attract sufficient numbers of private-pay patients to become self-sufficient without reimbursement from government programs. For a breakdown of the sources of payment for services provided by the Authority, see "THE HEALTH CARE SYSTEM - Sources of Payment".

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of the Health Care System are briefly summarized in general terms below, and are explained in greater detail in subsequent sections.

Reliance on Medicare. The Authority relies on payment from the federal Medicare program. Future changes in the underlying law and regulations, as well as in payment policy and timing create uncertainty and could have a material adverse impact on payment stream from Medicare. With health care spending reported to be increasing faster than the rate of general inflation, Congress and/or Centers for Medicare & Medicaid Services ("CMS") of the U.S. Department of Health and Human Services ("HHS") may take action in the future to decrease or restrain Medicare outlays for services provided by the Health Care System.

Medicaid Program. This program often pays at levels that may be below the actual cost of the care provided. As Medicaid is partially funded by the State of Georgia, the State of Georgia's budgetary constraints are likely to result in lower funding levels and/or payment delays. For example, the Georgia Department of Community has proposed cuts in the property cost center (Fair Rental Value System rates) for nursing facilities for fiscal year 2013 and fiscal year 2014. Overall, the possibility of lower funding

levels and/or payment delays could have a material adverse impact on the Authority and Health Care System.

Capital Needs vs. Capital Capacity. The Health Care System and its operations are capital intensive. Regulation, technology and physician/resident expectations require constant and often significant capital investment. Estimated construction costs are substantial and actual costs of compliance may exceed estimates. Total capital needs may outstrip capital capacity.

Government “Fraud” Enforcement. “Fraud” in government funded health care programs is a significant concern of HHS, CMS, the Office of Inspector General (“OIG”), other federal agencies, government-contracted entities and many states, and is one of the federal government’s prime law enforcement priorities. The federal government, and to a lesser degree, state governments, impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of “fraud” in the Medicare and Medicaid programs, as well as other state and federally-funded health care programs. This body of regulation impacts a broad spectrum of the Authority and Health Care System’s commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions.

Violations and alleged violations may be deliberate, but also frequently occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. The government periodically conducts widespread investigations or audits covering categories of services, or certain accounting or billing practices.

Violations carry significant sanctions. To the best of its knowledge, the Authority has never been sanctioned for any fraud violation, and there are no existing sanctions pending against the Authority or Health Care System. The government and/or private “whistleblowers” often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal and monetary penalties, including, for example, withholding essential payments from the Medicare or Medicaid programs, or termination or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force settlements, payment of fines and prospective restrictions that may have a materially adverse impact on operations, financial condition and reputation. Multi-million dollar fines and settlements are common. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the health care sector. Most large health care systems are likely to be adversely impacted.

Nursing Shortage. Currently, a nursing shortage exists which may have its primary impact on hospitals and long-term care facilities, among others. Various studies have predicted that this nursing shortage will become more acute over time and grow to significant proportions. The Health Care System’s operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by nursing shortages, resulting in material adverse impact.

Technical and Clinical Developments. New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and long-term care. These could result in higher costs for health care facilities and providers, including the Authority and Health Care System, reductions in patient populations and/or new sources of competition.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of health care operations is regulated, often by multiple federal, state and local agencies of government. The level and complexity of regulation appears to be increasing, bringing with it operational limitations, enforcement and liability risks, and significant and sometimes unanticipated cost impacts.

Proliferation of Competition. The Health Care System increasingly faces competition from other health care facilities and providers, including, but not limited to, long-term care facilities and providers (e.g., nursing homes, personal care homes, home health agencies and private home care providers), specialty providers of care and physicians that offer comparable services. This may cause the Health Care System to lose essential market share. Competition may be focused on services or payor classifications where the Health Care System realizes its highest margins, thus negatively affecting programs that are currently economically important to the Health Care System. These new sources of competition may have material adverse impact on the Health Care System. In addition, competition exists from alternative modes of health care delivery that offer lower priced services to the same population. Such alternative modes include, but are not limited to, ambulatory surgery centers, private

laboratories and radiology services, skilled and specialized nursing facilities, assisted living communities (which is a newly regulated facility/provider type in Georgia), personal care homes and home care. No assurance can be given that increasing competition and consolidation of providers in the service area will not have a materially adverse effect on the Authority and Health Care System's financial condition.

Labor Costs and Disruption. The Health Care System and its operations are labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impact on the Health Care System's operations and financial condition. The Health Care System's employees are increasingly organized in collective bargaining units, and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the workforce are high and turnover is high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase costs of operation. Workforce disruption may negatively impact revenues and reputation.

General Economic Conditions; Bad Debt and Indigent Care. Economic downturns and lower funding of the Medicaid program may increase the number of patients treated by the Health Care System who are uninsured or otherwise unable to pay for some or all of their care. These conditions may give rise to increased bad debt and higher indigent care utilization. At the same time, non-operating revenue from investments may be reduced or eliminated. These factors may have material adverse impact on the Health Care System.

Pension and Benefit Funds. As large employers, the Health Care System's operations and facilities may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers' compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. The Health Care System participates in a multi-employer pension plan with Columbus, Georgia. The Health Care System relies on this plan to provide pension benefits to its employees. As of June 30, 2011, the latest date for which the plan has provided audited financial results, the plan had an unfunded pension liability of approximately \$26.4 million. If for any reason the plan is unable to meet its funding obligations, the Authority may be required to provide additional contributions.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities, may increase in the future. The Authority and the Health Care System may be affected by negative financial and liability impacts on physicians and nurses. Costs of insurance, including self-insurance, may increase dramatically.

Facility Damage. The Health Care System's operations are highly dependent on the condition and functionality of their physical facilities. Damage from tornadoes, other natural causes, fire, deliberate acts of destruction, various facilities system failures or normal wear and tear may have material adverse impact on the Health Care System's operations and financial status.

Risk of Operation of Health Care System Facilities

Future revenues and expenses of the Health Care System are subject, among other things, to the capabilities of management of the Health Care System and future economic and other conditions which are not accurately predictable and which may adversely affect revenues and the timely payment of principal of and interest on the Series 2013 Certificates. Conditions which may adversely affect the revenues and expenses of the Health Care System specifically include: (a) termination or restriction of governmental financial assistance, including the Medicare and Medicaid programs and/or enactment of health care reforms, (b) changes in reimbursements made to the Authority and Health Care System by agencies, both governmental and private, that provide such reimbursements, (c) a reduced demand for the Health Care System's services arising from, among other things, future medical and other scientific advances, improved health levels and improved occupational health and safety standards, and greater emphasis of preventive medicine and outpatient care, (d) the failure to achieve and maintain a sufficient number of patient days or visits/episodes or a sufficient occupancy rate at the Health Care System, (e) the failure of the Authority and Health Care System to contain its operating expenses or maintain sufficient liquidity, (f) changes in the regulations and regulatory requirements, as interpreted and amended from time to time, applicable to the Authority and Health Care System by governmental entities, including the regulation of rates and the regulation of facilities and services, (g) the professional and allied health personnel relationships of the staff and employees, (h) continued changes in the population or economic conditions of the service area of the Health Care System, (i) competition arising from other health care facilities and providers, including, but not limited to, long-term care facilities, specialty providers of care and physicians in the service area of the Health Care System, (j) shortages of physicians, nurses and skilled technicians, (k) community acceptance, adverse publicity, and adverse public relations, (l) the

failure of the Health Care System to be able to provide services required or expected by patients, (m) physicians' dissatisfaction with the facilities or providers comprising the Health Care System and any deterioration in relations with physicians, and (n) changes in the number and composition of the medical staff of the Health Care System.

No Pledge of Health Care System Facilities

The Health Care System is not pledged as security for the Series 2013 Certificates, and consequently in the event of a default under the Resolution, the owners of Series 2013 Certificates would have the status of general unsecured creditors with respect to such facilities. The Authority is permitted to incur additional indebtedness, including parity indebtedness and other indebtedness which is not expressly subordinated to the Series 2013 Certificates. The Health Care System facilities are not comprised of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer, new operator or lessee for the facilities or providers of the Health Care System if it were necessary to proceed against such facilities or providers, whether pursuant to a judgment, if any, against the Authority or Health Care System, or otherwise. In addition, there are extensive change of ownership requirements and restrictions that also could present difficulties in finding a suitable buyer. Thus, upon any default, the Series 2013 Certificate Holders may not realize the amount of the outstanding Series 2013 Certificates from the sale or lease of such facilities or providers.

Availability of Remedies Generally

The remedies available to the owners of the Series 2013 Certificates upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 Certificates will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principals of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

Capital Expenditures; Certificates of Need

Technological advances in recent years have accelerated the trend toward the use of sophisticated and often costly equipment in long-term care facilities, the availability of which may be a significant factor in long-term care utilization. The ability of the Health Care System to operate successfully over the life of the Series 2013 Certificates may be dependent upon its ability to finance, acquire, and support additional capital equipment, replacements, and improvements, which may be affected by legislation, regulations, and applicable principles of reimbursement. No assurance can be given that the Health Care System will be able to generate sufficient net revenues to acquire such equipment, replacements and improvements or to finance such items.

The State of Georgia has a certificate of need ("CON") law which requires long-term care facilities, home health agencies and other health care facility and provider types to obtain prior state approval or authorization (e.g., CON, determination) for the development of a health care facility or service based on health care need as well as other activities including capital expenditures above certain levels or expenditures involving new services, the purpose of which is to prevent unnecessary duplication of expensive health care services in an effort to contain health care costs. There can be no assurance that the Authority or Health Care System will receive CONs and/or prior state approvals or authorizations which may be required for future opportunities.

Georgia's CON law may limit or even prevent the Authority and Health Care System from undertaking certain activities and expenditures which might be financially advantageous or to accommodate market demand. At the same time, Georgia's CON law may allow competitors to undertake activities or expenditures for which the Authority or Health Care System has been denied a CON or prior state approval or authorization. Georgia's CON law may also require substantial expenditures by the Authority and Health Care System in order to obtain a CON or prior state approval or authorization, including consulting fees and legal fees for preparation of applications, review of competing applications, preparation of written comments, and participation in public hearings, administrative hearings, litigation, and appeals. In addition, the statutory and regulatory requirements of Georgia's CON law may be amended in the future in ways that are adverse to the Authority and Health

Care System (including increasing or decreasing the regulatory restrictions and resulting costs). For all of these reasons, the CON law could adversely affect the revenues of the Authority.

Competition and Service Area

The business engaged in by the Authority is highly competitive. There exist other health care facilities and providers, including, but not limited to, long-term care facilities, within the primary and secondary service areas of the Health Care System and some residents within the primary and secondary service areas of the Health Care System may utilize the services of such other facilities or providers outside the primary and secondary service areas. See "THE HEALTH CARE SYSTEM –Competitive Data". No assurance can be given that the Authority's competitors will not continue to attract residents from the Health Care System's service area or that the population in the service area will stabilize or increase.

The Authority's costs and revenues could be substantially affected by future changes in the number and mix of both residents and services brought about by increased competition among health care facilities, providers and insurers. This competition could take several different forms, including, but not limited to:

- (a) Competition among long-term care facilities or providers (e.g., nursing homes, personal care homes, home health agencies and private home care providers) to sell their services more cheaply to third-party payors;
- (b) Competition from existing long-term care facilities or providers (e.g., nursing homes, personal care homes, home health agencies and private home care providers) in the Health Care System's service area and from tertiary facilities or providers in surrounding urban centers to offer new services or expand existing services or to reduce charges;
- (c) Competition from other health care facilities or providers, including, but not limited to, hospitals, ambulatory care facilities, surgical centers, rehabilitation and therapy centers, increasingly sophisticated physician group practices, and other non-hospital providers for many services for which patients currently rely on the Health Care System;
- (d) Competition for enrollees between traditional indemnity insurers, whose members generally have a free choice of health care facilities and providers (including long-term care facilities and providers), and health maintenance organizations or other prepaid plans, who either own their own health care facilities or providers or contract with health care facilities and other providers and thus substantially restrict the health care facilities and providers from whom their members can receive health care services; and
- (e) Competition from proprietary providers of health care, which proprietary providers may have access to equity capital markets to obtain funds with which to compete under financing instruments which generally do not restrict the operational flexibility of such providers to the degree that the tax-exempt capital market restricts the operations of the Health Care System.

Although to some degree competition from new long-term care facilities or providers or other new health care facilities or providers may be inhibited by the operation of the State of Georgia's CON law (which generally requires an assessment by the Georgia Department of Community Health that a need exists before new facilities or services can be constructed or provided, or existing facilities or service areas can be expanded), such assessments could be erroneous and thus could lead to unnecessary competing facilities or services. Furthermore, there are exceptions to CON need methodologies as well as exemptions from prior CON review and approval that may be taken advantage of by health care facilities or providers other than the Health Care System, which may allow for increased competition against the Health Care System. In addition, the CON program does not offer any protection against a reduction in bed or service need due to demographic or other changes. No assurance can be given that the CON law of Georgia will not be repealed or modified in the future. In addition, the Health Care System may not be able to compete with (i) long-term care facilities designed and built with the benefit of advanced technology not available at the time the Health Care System was constructed, (ii) long-term care facilities or providers which are able to significantly reduce or contain their costs through economies of scale or other methods not available to the Authority, or (iii) long-term care facilities or providers which are perceived to offer more attractive facilities or services.

Medicare and Medicaid Reimbursement

The Authority and Health Care System are subject to health care laws and regulations, including those governing the Medicare and Medicaid programs, that are complex and subject to interpretation. Changes in the law or new interpretations of existing laws may have a dramatic effect on the scope of permissible or impermissible activities, the relative cost of doing business for the Authority and Health Care System, and the methods and amounts of payments for health care by both governmental and other payors. For instance, there are and will likely continue to be legislative efforts intended to “balance the budget” and to slow the annual rate of growth of Medicare and Medicaid. Such future changes may impact reimbursement for the services of the Health Care System. There can be no assurance that legislation or regulatory changes will not have a material adverse effect on the operations of the Health Care System.

The reimbursement regime applicable to the Health Care System may evolve during the term of the Series 2013 Certificates. Federal and state authorities have recently considered and may seek to implement new or modified reimbursement methodologies that may negatively impact the Health Care System and its operations. There have also been recent efforts to impose upon certain facility and provider types “provider fees” or “provider taxes” in order to assist in drawing down matching federal funds, and there may be changes in the case-mix of patients as well as payor mix among private pay, Medicare and Medicaid. The impact of any such changes, may result in a material adverse effect on the Health Care System. No assurance can be given that expected revenue sources will be maintained during the term of the Series 2013 Certificates, and there can be no assurance that payments under an applicable government reimbursement program will be sufficient to fully reimburse the Health Care System’s operating and capital expenses. As a result, the Authority and Health Care System may be adversely affected.

Skilled nursing facilities as well as home health agencies typically receive the majority of their revenues from Medicare, Medicaid, and some private pay sources, including private insurance. As a result, changes in federal or state reimbursement policies or patients/residents’ inability to satisfy their out-of-pocket cost responsibility may adversely affect financial results of the Authority and Health Care System. Skilled nursing facilities have historically been reimbursed by Medicare under a prospective payment system for each day they provide services to a Medicare-eligible resident. Similarly, home health agencies receive Medicare reimbursement under a prospective payment system. Facilities or providers reimbursed under a prospective payment system are at risk to the extent that costs of operation exceed the fixed payments under the system or that payments under the system may be set too low, which could result in immediate financial difficulties including causing a facility or provider to seek bankruptcy protection. Facilities and providers that participate in Medicare and/or Medicaid are also subject to periodic pre- and post-payment reviews and other audits by federal and state authorities and various third party administrators contracted by CMS, including Recovery Audit Contractors, Zone Program Integrity Contractors and others. A review or audit of claims could result in recoupments, denials or delays of payments in the future, which could have a material adverse effect on the facility or provider. Due to the significant judgments, extrapolations and estimates inherent in payor settlement accounting, no assurance can be given as to the adequacy of any reserves maintained for potential adjustments to reimbursements for payor settlements. Further, due to budgetary constraints, governmental payors may limit or reduce payments in the future or impose co-payments on beneficiaries, including, for example, for home health agencies.

In addition, the federal government and the states share responsibility for financing Medicaid, which often is a major payor source for residents in skilled nursing facilities. The percentage of Medicaid dollars used for long-term care varies from state-to-state due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have discretion to determine eligibility and reimbursement methodology. In many states, Medicaid does not fully reimburse the cost of providing skilled nursing or home health services and certain states, including Georgia, are reportedly attempting to slow the rate of growth in Medicaid expenditures by freezing rates, restricting eligibility and benefits or proposing cuts. The average Medicaid rates available will likely vary throughout the life of the Series 2013 Certificates and may decline. Further, because of the relocation and construction projects associated with the New Facilities, it is unclear what the Medicaid reimbursement rates will be for the nursing homes of the Health Care System, and this information will likely not be known until after consummation of such relocation and construction projects.

Personal care home services and private home care providers are typically paid for through private resources of the resident or their family members or through private long-term care insurance. As a result, patients/residents’ inability to satisfy their out-of-pocket cost responsibility may adversely affect a personal care home or private home care provider’s ability to cover its expenses. In addition, federal and state reimbursement programs such as Medicare and Medicaid are rarely involved, although personal

care homes and private home care providers may see Medicaid dollars through certain waiver programs established under federal law. The applicable federal law allows states to seek a waiver from typical Medicaid requirements to develop cost-effective alternatives to, for instance, nursing facility care, including, but not limited to, enabling some states to offer Medicaid reimbursement for assisted living/personal care services. In those instances, there can be no assurance that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status and as a result, any revenues generated through such waiver program may be adversely affected.

Uncompensated Care

While the Authority and Health Care System currently do not provide uncompensated care and do not have an indigent charity care commitment, obligations to provide uncompensated care may arise from laws and regulations that may require the Authority and Health Care System to provide care without regard to a patient's ability to pay for such care. It also is possible that future legislation could require that tax-exempt hospitals, long-term care facilities and providers and other health care facilities and providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

Health Care Reform

On March 23, 2010, President Barack Obama signed the Patient Protection and Affordable Care Act of 2010 (the "Patient Protection and Affordable Care Act"), and on March 30, 2010, the President signed the Health Care and Education Reconciliation Act of 2010, which in part modified the Patient Protection and Affordable Care Act (collectively the "Legislation" or "Health Care Reform Act"). Lawsuits challenging the Legislation were filed, and the challenges ultimately reached the U.S. Supreme Court, which issued a decision on June 28, 2012 upholding the Legislation, although the Medicaid expansion was held as voluntary for state participation.

The Legislation serves as a primary vehicle for comprehensive health care reform in the U.S. and is broad in scope and likely to affect significant changes in the health care sector. The Legislation is intended to reduce the number of individuals in the U.S. without health insurance and will cause significant other changes to the ways in which health care is organized, delivered, and reimbursed. The Legislation will become effective through a phased approach, which began in 2010 and is anticipated to conclude in 2018, and many provisions require implementing regulations and/or the issuance of certain additional policies and guidelines. In addition, such Legislation is often followed by subsequent legislation and litigation to address and remedy previously unanticipated consequences, or to further define provisions of the Legislation.

The following are only some of the aspects of the Legislation that may affect the Authority and Health Care System's financial condition and operations: (a) reduces future adjustment to Medicare and Medicaid reimbursement rates for certain health care services; a significant portion of both the Health Care System's patient volumes and, as a result, its revenue is derived from government health care programs, principally Medicare and Medicaid, so reductions to its reimbursement under the Medicare and Medicaid programs by the Legislation could adversely affect its business and results of operations; (b) may result in an increased number of eligible Medicaid recipients, and because Medicaid generally provides for lower reimbursement than other payors, an increase in the number of Medicaid patients could result in less revenue; additionally, changes to Medicaid administration under the Legislation will be implemented on a state-by-state basis, and the implementation and impact of those changes cannot be accurately predicted; (c) includes provisions that incentivize state Medicaid programs to "re-balance" Medicaid expenditures away from institutional long-term care, such as nursing homes, to home and community-based services; (d) includes enhanced program integrity provisions, provider billing limitations, provider overpayment notification requirements, and overpayment recoupment capabilities for CMS, the federal agency within HHS that administers the Medicare and Medicaid programs, which may increase the Authority and Health Care System's costs of regulatory compliance; (e) includes expanded civil monetary penalties applicable to all Medicare and/or Medicaid providers, including, for instance, expansion of sanction options against home health agencies; (f) enhances certain fraud and abuse penalty provisions that could apply to the Authority and Health Care System in the event of one or more violations of the federal health care laws, and expands authority to suspend payments if a provider is investigated for allegations or issues of fraud; (g) expands and/or revises certain "ownership" disclosure requirements in an effort to improve transparency of information, which may create additional exposure to owners and investors; and (h) includes provisions that impact the health coverage that the Authority may provide to its respective employees, which may increase the Authority's operating costs.

The Authority, as an employer, already modified certain of its employee benefit programs (particularly the health coverage it provides employees and their dependents) to comply with various

provisions of the Legislation. Significant further modifications will have to be made effective in 2014 (unless the deadline is extended) to comply with the “employer mandate” provisions of the Legislation, which require “large” employers such as the Authority to offer minimum essential coverage to all full-time employees and their dependents, which coverage is both affordable and provides minimum value. If such coverage is not offered, the Legislation imposes significant monetary penalties on the employer. Regulations and official guidance on these complex requirements are currently being issued by various federal agencies on almost a weekly basis. In addition, decisions yet to be reached by individual states regarding the structure of the state insurance exchanges required by Legislation, and state decisions on the expansion of their Medicaid coverage (as discussed above), will impact the design and cost of the Authority’s health coverage.

As a result of the scope of the Legislation, the significant changes it will likely affect in the health care industry, the complexity of the technical issues it addresses, and lack of detail available for many aspects (including reimbursement rates and insurance coverage requirements), the Authority is unable to predict, at this time, the impact of the Legislation and related regulations or guidelines and any additional related legislative or policy measures. Given the sheer size of this Legislation and the number of constituents it affects, there also can be no assurance that such laws, related regulations, policies, or guidelines (or any additional related legislative or policy measures) will not have an adverse impact on the Authority and Health Care System’s financial condition and operations. Indeed, the actual immediate and long-term effects of large federal bills tend to be difficult to predict as there are typically unintended consequences, and the actual effects on the Authority’s business, financial condition, and results of operations may differ materially from the Authority’s expectations. Furthermore, the Legislation is complex, and may require expending significant resources to ensure compliance with all rules and regulations, or in some cases, changing operations.

Managed Care

Most private health insurance coverage is provided by various types of “managed care” plans, including health maintenance organizations and preferred provider organizations that generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Medicaid and Medicare also purchase long-term care using managed care options. Payments to long-term care facilities and providers from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

Managed care is both a form of health insurance and a type of health care delivery system that controls patient utilization of services and patient choice of health care providers in order to control health care costs. As a consequence, managed care changes the traditional roles of the health care provider as well as the insurance company. The role of the insurer changes through the implementation of procedures that control to a large extent when and how services are provided, thereby causing the insurer to become more involved in actual patient care decisions. The insurer is no longer a mere underwriter of the cost of care. In addition, through the increasing use of exclusive contracts with providers, managed care companies are more routinely dictating where and from whom care is provided.

Managed care contracts typically involve reimbursement or payment mechanisms other than fee-for-service arrangements. For example, a provider’s contract with a managed care company may likely include a compensation arrangement on a discounted fee-for-service basis in which a substantial percentage of the provider’s compensation is withheld and only paid if certain utilization and quality targets are satisfied. Compensation under a managed care contract may also be made pursuant to a capitation rate in which the provider is paid a predetermined amount per health insurance enrollee regardless of that insured’s utilization of services. Through capitation, the risk of loss is transferred from the insurer to the health care provider as a result of the fact that this predetermined payment may be insufficient to cover the costs of care that was actually provided. In essence, because the provider can only generate a profit from the portion of the capitated payment which is not expended towards the provision of care, hospitals, physicians and other health care facilities and providers must be in a position to integrate their health care services so as to offer a complete continuum of care. More significantly, they must also share the same financial incentives that reward the effective and appropriate utilization of services in addition to quality care. The Authority has no capitation contracts with managed care companies, and does not anticipate entering into any such contracts in the future.

Physician-hospital organizations and other types of provider networks facilitate managed care contracting in general and are the vehicles through which the necessary financial incentives can be implemented and risk can be properly shared among providers. The Authority’s long-term economic viability may depend on how effectively it can compete in a managed care market.

In addition, pursuant to Section 3022 of the Patient Protection and Affordable Care Act, the concept of accountable care organizations (“ACOs”) was adopted, specifically under the title of “Medicare Shared Savings Program.” ACOs are described as groups of doctors, hospitals, and other health care facilities and providers, who come together voluntarily to provide coordinated high quality care in an effort to ensure patients receive appropriate care at the right time, while avoiding unnecessary duplication of services and medical errors. ACOs are designed based on a payment and care delivery model that seeks to link reimbursements to quality metrics and reductions in the total cost. Although the label is relatively new, many consider ACOs as bearing resemblance to health maintenance organizations, with certain variations. While the Authority does not currently participate in an ACO, the health care market may dictate such participation, which may have a materially adverse effect on the operations and financial condition of the Authority and the Health Care System.

Government Regulation of Relationships between Health Care Systems and Providers

Numerous laws and regulations have been adopted by both the federal and state governments seeking to address certain perceived abuses resulting from business and referral practices in the health care industry. These statutes and regulations apply to many business activities, such as joint ventures, physician recruitment, leases of space, and payment for services rendered by a physician. Many such activities are not prohibited *per se*, but, if improperly structured, may lead to significant penalties, fines or exclusion from government health care programs, including Medicare and Medicaid. Management of the Authority does not believe that it is or will be involved in any such prohibited activity. However, because of the lack of comprehensive judicial or regulatory guidance and the complexity of the existing regulations, there can be no assurance that challenges and investigations will not occur in the future. The Authority and Health Care System could suffer materially adverse effects on its operations based on the expenses and/or liabilities and other sanctions arising from such an investigation. Examples of applicable laws and regulations are described below.

Federal Fraud and Abuse Provisions. Certain Medicare fraud and abuse provisions of the Social Security Act make it a felony, subject to certain statutory exceptions and regulatory safe harbors, to knowingly solicit, receive, offer or pay any remuneration directly or indirectly, overtly or covertly, in cash or in kind, for referring an individual for the furnishing or arranging for the furnishing, or for purchasing, ordering, leasing, or arranging for or recommending the purchasing, ordering or leasing of, any item or service for which payment may be made in whole or in part under a federal or state health care program (the “Anti-Kickback Law”). The OIG and courts have interpreted the Anti-Kickback Law’s provisions broadly to prohibit not only naked kickbacks, but also other, more conventional ownership and payment arrangements between health care facilities and providers. Each violation may result in imprisonment for up to five years and fines of up to \$25,000. In addition, the Secretary of HHS has the authority to impose civil money penalties, which could result in treble damages plus \$50,000 for each violation, and to exclude health care systems engaged in prohibited activities from Medicare, Medicaid and other governmental health care programs. The Secretary is required to exclude any health care system, entity, provider or other person convicted of a criminal offense relating to the delivery of Medicare or Medicaid services. Because the breadth of the law has the potential to sweep into the prohibition of many legitimate business activities, Congress included certain exceptions in the statute and authorized the Secretary of HHS to promulgate, by regulation, additional “safe harbors.” The “safe harbors” supply additional exceptions to the sweeping prohibitions of the Anti-Kickback Law. However, the statutory exceptions and regulatory safe harbors are narrow and may not cover many common business arrangements between health care systems, facilities and providers. Although the Anti-Kickback Law does not afford a private right of action, the federal False Claims Act provides a vehicle whereby individuals may bring qui tam actions alleging violations of the Anti-Kickback Law.

In addition, the Balanced Budget Act of 1997 and the Health Insurance Portability and Accountability Act of 1996 include a number of fraud and abuse initiatives. For example, the laws expand and strengthen the exclusionary authority of HHS under the Medicare program, create a Fraud and Abuse Control Program to coordinate federal, state and local law enforcement in combating fraud and create additional civil and criminal sanctions for defrauding a health care program, obstructing investigations of health care offices and engaging in money laundering in the health care industry. Case law applying the Anti-Kickback Law displays the variation in interpretation of the Anti-Kickback Law, making it hard to predict compliance for various situations.

The Health Care Reform Act also includes provisions designed to strengthen the federal government’s ability to investigate and prosecute health care fraud, and increases existing penalties for non-compliance. The Health Care Reform Act provides that under the Anti-Kickback Law, as well as the federal health care fraud statute (18 U.S.C. § 1347), prosecutors need not prove that a defendant had actual knowledge of the law or specific intent to violate the law. Moreover, claims for reimbursement

submitted to federal health care programs that result from illegal kickbacks will be considered false or fraudulent for purposes of civil liability under the federal False Claims Act, even if the claims are not submitted directly by the wrongdoers themselves. In addition, the Patient Protection and Affordable Care Act expands the definition of “federal health care fraud offense” to include illegal kickbacks as well as offenses committed in violation of the Federal Food, Drug and Cosmetic Act. The change makes additional enforcement tools available to prosecutors, such as subjecting proceeds from the offense to criminal forfeiture and authorizing the use of administrative subpoenas for the production of documents.

Although the management of the Authority does not believe that the Authority or Health Care System is or will be involved in any prohibited activity and is not aware of any challenge or investigation with respect to these matters, there can be no assurance that the Authority or Health Care System will not be found to have violated the Anti-Kickback Law. Sanctions under the Anti-Kickback Law could have a materially adverse effect on the operations and financial condition of the Authority and Health Care System, especially if violations are identified and prosecuted and result in exclusion from reimbursement programs or substantial fines.

Restrictions on Self-Referrals. The Ethics in Patient Referral Act, known as the “Stark Law,” prohibits certain types of referral arrangements between physicians and certain health care entities. Physicians are prohibited under the Stark Law from referring patients to entities with which they (or their immediate family member) have a prohibited “financial relationship” for the provision of “designated health services” reimbursed under the Medicare and Medicaid programs. Designated health services include clinical laboratory services, physician therapy services, occupational therapy services, outpatient speech-language pathology services, radiology and other imaging services (such as MRIs, CT scans, and ultrasound procedures), durable medical equipment and supplies, radiation therapy services and supplies, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices and supplies, home health services, outpatient prescription drugs, as well as inpatient and outpatient hospital services. A financial relationship will exist if the referring physician has either a direct or indirect ownership interest in the entity performing the designated health service, or a direct or indirect compensation arrangement with such entity.

The entity to which a prohibited referral is made is barred from billing for the designated health service. Violations of the Stark Law can result in denial and refund of payments, civil monetary penalties of up to \$15,000 per improper referral and exclusion from the Medicare and Medicaid programs. In addition, a hospital may be fined up to \$10,000 per day for failure to disclose a physician’s improper financial relationship. The Stark Law provides for a penalty of up to \$100,000 for parties that enter into a scheme to circumvent it, and exclusion from the Medicare and Medicaid program are also possible. In an emerging line of cases, courts have held that violations of the Stark Law can potentially give rise to liability under the federal False Claims Act. Importantly, the Stark Law is a strict liability statute – that is, no unlawful intent is needed to establish a violation of the statute. The Stark Law statute and implementing regulations are complex and continuing to evolve and undergo modifications. Some of the more recent modifications include revisions published in the 2009 Inpatient Prospective Payment System Final Rule, which, among other things, broadened the definitions of physician organizations and health care entities in general to capture additional financial relationships with individual physicians or practice groups that would not have otherwise been implicated by the Stark Law referral prohibitions. These so-called “stand in the shoes” refinements broaden the scope of the Stark Law to include additional financial arrangements and joint ventures between physicians and potential referral sources. Similar to the Anti-Kickback Law, there are a number of specific exceptions, and the Secretary of HHS has the authority to create regulatory exceptions for financial relationships that do not pose a risk of program or patient abuse, but these exceptions are narrow and may not cover many proposed arrangements. Note, however, that where the failure of a particular arrangement to satisfy an Anti-Kickback safe harbor does not necessarily mean that it violates Anti-Kickback Law, failure of a covered financial relationship to satisfy a Stark exception does mean that the relationship violates Stark Law.

The Health Care Reform Act significantly alters the current self-reporting provisions under the Stark Law by requiring the Secretary of HHS to develop and implement a protocol for providers to disclose actual and potential violations. The Health Care Reform Act also broadens CMS’ authority to compromise payments (both refund and penalty payments) due under the Stark Law.

Although the management of the Authority does not believe that the Authority or Health Care System is or will be involved in any prohibited activity under the Stark Law and is not aware of any challenge or investigation with respect to these matters, there can be no assurance that the Authority or Health Care System will not be found to have violated the Stark Law. Sanctions under the Stark Law could have a materially adverse effect on the operations and financial condition of the Authority and

Health Care System, especially if violations are identified and prosecuted and result in exclusion from reimbursement programs or substantial fines.

Georgia Patient Self-Referral Act. The Georgia Patient Self-Referral Act of 1993 (the ‘Patient Self-Referral Act’) prohibits a health care provider from referring a patient for the provision of “designated health service” to an entity in which the health care provider or an immediate family member is an investor or has an investment interest, subject to certain exemptions. A health care provider is any physician, chiropractor, podiatrist, optometrist, pharmacist, or physical therapist who is licensed or otherwise regulated under the laws of the State of Georgia to provide health care services. “Designated health services” means clinical laboratory services, physical therapy services, rehabilitation services, diagnostic imaging services, pharmaceutical services, durable medical equipment, home infusion therapy services (including related pharmaceuticals and equipment), home health care services, and outpatient surgical services.

The Patient Self-Referral Act applies regardless of payor. No claim for payment may be submitted to any third party payor (either a government health insurance program or a private health insurer) for a service furnished pursuant to a prohibited referral and any sums collected must be refunded on a timely basis. A provider who makes a prohibited referral and makes a claim for services and fails to make a refund as required, is subject to a civil penalty of up to \$15,000 for each service and may be subject to a disciplinary action by its respective licensing board. In addition, a provider which enters into an arrangement or scheme in an effort to circumvent the Patient Self-Referral Act is subject to a civil penalty of up to \$50,000. Sanctions also include a civil penalty of up to \$15,000 if providers and entities divide or agreed to divide fees received for a designated health service solely for referring a patient.

Penalties for violation of the Patient Self-Referral Act could be applied to many joint business activities and other arrangements involving physicians. The Authority and Health Care System may conduct certain activities of these general types and similar activities. While management of the Authority does not believe that the Authority or Health Care System is or will be involved in any prohibited activity and is not aware of any challenge or investigation with respect to these matters, there can be no assurance that such challenge or investigation will not occur in the future. If the Authority or Health Care System’s activities are determined to violate the provisions of this law, this determination may have a materially adverse effect on the operations and financial condition of the Authority and Health Care System, especially if violations are identified and prosecuted and result in exclusion from reimbursement programs or substantial fines.

Federal False Claims Act, Health Care Fraud, Georgia Medicaid False Claims Act, and Georgia Insurance Laws

Federal Statutes Prohibiting False Claims and Fraudulent Billing Activities. Several federal civil and criminal laws target false claims and fraudulent billing activities. One of the most significant of these laws is the federal False Claims Act, which prohibits, among other things, the submission of a false claim or the making of a false record or statement in order to secure a reimbursement from a government-sponsored program. Also, upon enactment of the Fraud Enforcement and Recovery Act of 2009 (FERA), the federal False Claims Act also prohibits making a fraudulent statement for the purpose of avoiding, decreasing, or concealing an obligation to pay or refund money to the government. Under the Patient Protection and Affordable Care Act, providers must report and return any overpayments to the government within sixty (60) days after either the date on which the overpayment was identified or the date any corresponding cost report was due, whichever is later. Failure to do so is also treated as a violation of the federal False Claims Act. Any person or organization found to have violated the federal False Claims Act may be liable for civil penalties of up to \$11,000 per violation and treble the amount of damages the federal government is found to have sustained because of the false claim or fraudulent billing activities. In recent years, the federal government has launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws. Claims under these laws may be brought either by the government or by private individuals on behalf of the government, through a “whistleblower” or “qui tam” action. The Civil Monetary Penalties Law also imposes substantial civil monetary penalties and potential exclusion from Medicare and Medicaid against any entity that engages in activities including, but not limited to: 1) knowingly presenting or causing to be presented a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; 2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; 3) offering or giving any remuneration to the beneficiary of a federal health care program that is likely to influence the receipt of reimbursable items or services; 4) arranging for reimbursable services with an entity that has been excluded from participation in a federal health care program, including employing or contracting with excluded individuals or entities to provide items or services to federal program beneficiaries; 5) knowingly or willfully soliciting or receiving remuneration

of any kind in return for referral of a federal health care program beneficiary; or 6) using a payment intended for a beneficiary under a federal program for another purpose or use.

Health Care Fraud under HIPAA. Although the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) is best known for its privacy and security laws and implementing regulations (see below), it also contains a broad law criminalizing health care fraud. This law applies not only to fraud against federal and state health care programs, such as Medicare and Medicaid, but also against private-sector and commercial insurance. Violations are punishable by fines, imprisonment for up to ten (10) years, or both, with escalating penalties if the violation result in serious bodily injury or death. 18 U.S.C. § 1347.

Georgia Medicaid False Claims Act. The Georgia Medicaid False Claims Act generally mirrors the federal False Claims Act, and makes it unlawful to knowingly present or cause to be presented a claim for payment under the Georgia Medicaid program knowing such claim is false or fraudulent, conspiring to do so, or engaging in other fraudulent activity as specified under this law. Violations of the Georgia Medicaid False Claims Act could lead to, among other things, a civil penalty of not less than \$5,500 and not more than \$11,000 for each false or fraudulent claim, plus three times the amount of damages which the Georgia Medicaid program sustains as a result of the fraudulent act.

Although the management of the Authority believes the Authority and Health Care System have complied with the federal False Claims Act, federal Health Care Fraud Law, the Georgia Medicaid False Claims Act, and the Civil Monetary Penalties Law, because whistleblower or qui tam actions are filed under seal, there can be no assurance that the Authority or Health Care System has not been named in a material action. Moreover, there can be no assurance that the Authority and Health Care System’s operations will not become the subject of such an investigation or claim in the future. To the extent that the Authority or Health Care System becomes involved in any such investigation or claim, there can be no assurance that the Authority or Health Care System will not incur significant costs and/or liability in connection with such investigation or claim, and there may be a material adverse effect on the operations and financial condition of the Authority and Health Care System.

Georgia Insurance Laws. Georgia law prohibits submitting a false claim or making a false record or statement in order to secure reimbursement from an insurance company. Violation of this prohibition may lead to the imposition of criminal penalties up to \$10,000 per violation or imprisonment, or both. While the management of the Authority believes the Authority and Health Care System are in substantial compliance with this law, there can be no assurance that the operations will not become the subject of an investigation in the future.

Health Information Privacy

Health Insurance Portability and Accountability Act. Many of the Authority and Health Care System’s activities involve the receipt or use of confidential health information which may be subject to protection under federal and state law. Confidentiality provisions of HIPAA required the Secretary of HHS to issue standards concerning health information privacy if Congress did not enact health information privacy legislation by August 1999. As Congress did not enact health information privacy legislation, the Secretary of HHS issued a final rule regarding health information privacy in December 2000. In March 2002, the Secretary issued a Notice of Proposed Rule Making indicating the intent to further modify the originally issued final regulations. Following additional comments received, the Secretary issued new final regulations in August 2002 (the “Privacy Rule”). The Privacy Rule, which had a compliance deadline of April 14, 2003, imposes extensive requirements on the way in which health care providers, health plans and their business associates use and disclose protected health information (“PHI”).

The Privacy Rule gives individuals rights to receive notice regarding how their PHI is used and disclosed, rights to request restrictions on how PHI may be used or disclosed, and rights of access, amendment and accounting of disclosures of PHI. In addition, direct providers such as hospitals and nursing homes are required to provide a written Notice of Privacy Practices to individuals that describes how the provider uses and discloses PHI for treatment, payment and health care operations. Generally, for all uses or disclosures of PHI that do not involve treatment, payment or health care operations, the rule requires that all providers and health plans obtain a valid written individual authorization. In many cases, use or disclosure of PHI must be limited to the minimum amount necessary to achieve the purpose of the use or disclosure. Sanctions for failing to comply with the Privacy Rule include criminal penalties and civil sanctions.

In August 2000, HHS also issued, pursuant to HIPAA, final regulations establishing transaction standards and code sets for the electronic transmission of health care information (the “Transactions Standards”). The final rule had a compliance deadline of October 16, 2003. On January 16, 2009, HHS published certain amendments to the Transaction Standards that, among other things, set forth a compliance date of January 1, 2012. The Transactions Standards adopt national, uniform standards that must be used if one health care provider or health plan conducts certain electronic transactions with another health care provider or health plan. The final regulations also mandate the use of certain code sets in connection with the standard transactions.

In addition, in February 2003, HHS issued final regulations pursuant to HIPAA that govern the security of PHI (the “Security Standards”) which became effective on April 21, 2003 and which require compliance by April 21, 2005. The Security Standards impose extensive additional administrative, physical, technological and organizational requirements on health care providers, health plans and their business associates regarding the storage, utilization of and access to PHI. These additional requirements may require substantial changes and upgrades of the Authority and Health Care System’s computer and other information technology systems.

The Privacy Rule, which required compliance by April 14, 2003, the Transactions Standards, which required compliance by October 16, 2003, and the Security Standards which require compliance by April 21, 2005, and other HIPAA related obligations are extensive and have required substantial effort and costs by the Authority to assess and implement. Management of the Authority has taken the steps it believes are reasonable to ensure that the Authority and Health Care System’s policies and procedures are in compliance with the Privacy Rule, the Transactions Standards and the Security Standards. However, the management of the Authority believes that such compliance may require substantial additional changes to the Authority and Health Care System’s systems, policies and procedures, and there can be no assurance that these changes and the associated costs of compliance will not have a materially adverse effect on the Authority and Health Care System’s operations.

In addition to the federal health information privacy regulations described above, Georgia has in place health care information confidentiality laws which limit the disclosure of confidential medical information and that protect certain classifications of health information such as information relating to substance abuse, mental illness, AIDS, and certain other conditions. The HIPAA Privacy Rule does not preempt Georgia health information privacy laws that are more restrictive than the Privacy Rule. The management of the Authority believes that the Authority and Health Care System are in substantial compliance with Georgia health care information confidentiality laws, but there can be no assurance that Authority and Health Care System’s operations will not be subject to challenge in the future under current or future Georgia health information privacy laws.

Breaches in the security of the Authority or Health Care System’s information systems could result in significant costs of remediation and violations of laws protecting the confidentiality of patient health information, which could harm the Authority and Health Care System’s reputation and expose them to significant liabilities.

In order to process and protect patient information in digital form, the Authority depends on the security of the Authority and Health Care System’s information systems, which are licensed by independent software developers. Data maintained in digital form is subject to the risk of unauthorized access, tampering, theft and subsequent dissemination. The Authority cannot provide assurances that the steps taken by the Authority, Health Care System and third-party independent software developers to protect the safety and security of the information systems and the data maintained within those systems will be effective. If personal or other protected information of the Authority or Health Care System’s patients is improperly accessed, tampered with, stolen or disseminated, the Authority may incur significant costs to remediate possible injury to the affected persons or be subject to sanctions and civil or criminal penalties if the Authority and Health Care System are found to be in violation of the rules under HIPAA or other federal or state laws protecting the confidentiality of patient health information. Any of these events could harm the Authority and Health Care System’s reputation and expose them to significant liabilities, which could have a material adverse effect on the Authority and Health Care System’s business, financial position or results of operations.

The HITECH Act

The American Recovery and Reinvestment Act of 2009, signed by President Obama on February 17, 2009, includes broad, sweeping changes to HIPAA provisions regarding confidentiality of patient medical records and new notification requirements for confidentiality and security breaches. In general, the provisions of this Act increase the opportunities of enforcement of violations of patient medical record

confidentiality. Title XIII of the Recovery Act is the Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”). The HITECH Act increases the maximum civil monetary penalties for violation of HIPAA and grants broad enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extends the reach of HIPAA beyond “covered entities,” (ii) imposes a breach notification requirement on HIPAA covered entities, (iii) limits certain uses and disclosures of individually identifiable health information and (iv) restricts covered entities’ marketing communications. Within three years from enactment, HHS is required to establish procedures for individuals harmed by a breach of these privacy provisions to recover a percentage of the monetary penalties or settlement paid by violators.

The HITECH Act also provides for almost \$20 Billion in federal incentives for health care providers to adopt electronic health records and health information technology (“EHR/HIT”) with the goal of improving patient outcomes and efficiency of delivery of medical care. HITECH encourages adoption of EHR/HIT through federal loans and grants to providers to implement “meaningful use” of this technology. Adoption of the software, hardware and infrastructure necessary to comply with these “meaningful use” criteria could represent a significant additional capital expense for health care facilities and providers. While the incentive to adopt EHR/HIT is initially provided through additional reimbursement under Medicare and matching funds under Medicaid for qualified entities that comply with the “meaningful use” adoption criterion, beginning in 2015 Medicare payments are set to begin to be reduced for entities and individuals that fail to adopt these systems.

Violations of HIPAA can result in civil monetary penalties of up to \$25,000 per type of violation in each calendar year and criminal penalties of up to \$250,000 per violation. Paired with violations of the HITECH Act, as described above, these penalties can be even higher, with civil penalties under the HITECH Act generally ranging from \$100 to \$50,000 per violation, with caps of \$25,000 to \$1.5 million for all violations of a single requirement in a calendar year, depending on the severity of the violation and the level of willful negligence involved. Management of the Authority does not expect that the prohibited practices provisions of HIPAA or the HITECH Act will affect the Authority or Health Care System in any material respect, but there can be no assurance that these changes and the associated costs of compliance will not have a materially adverse effect on operations.

Review of Outlier and Skilled Nursing Facility Therapy Payments

CMS is reviewing health care facilities and providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care facilities and providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the OIG.

In November 2012, the OIG published a study entitled, *Inappropriate Payments to Skilled Nursing Facilities Cost Medicare More Than a Billion Dollars in 2009*, OEI-02-09-00200. This report follows up on the OIG’s previously expressed concerns in a December 2010 report about improper billing and overutilization of therapy services in skilled nursing facilities, entitled, *Questionable Billing in Skilled Nursing Facilities*, OEI-02-09-00202 which alleged, in part, that skilled nursing facilities increasingly billed for higher payment Resource Utilization Group levels from 2006 to 2008, without a corresponding change in patient acuity or need. These OIG reports and recent government investigations suggest that the government may have adopted an unofficial policy initiative to target skilled nursing facilities that provide certain levels of high intensity rehabilitation services. In light of the government’s increased monitoring of skilled nursing facility rehabilitation services, providers focusing on short-term, intensive rehabilitation may be at greater risk for audits and government investigations.

Other Governmental Regulation

The Authority and Health Care System are subject to regulatory actions, surveys and policy changes by those governmental agencies that administer the Medicare and Medicaid programs and actions and surveys by, among others, the Georgia Department of Community Health, Healthcare Facility Regulation Division, applicable professional review organizations, the Joint Commission on Accreditation of Health Care Organizations, various federal, state and local agencies created by the National Health Planning and Resources Development Act, the Occupational Safety Health Act, the act creating the Environmental Protection Agency and other federal, state, and local governmental agencies.

Health care facilities and providers, including those of the Authority and Health Care System, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements, which often require certain license renewals and compliance surveys (for both licensure and/or Medicare/Medicaid certification purposes) on an annual or bi-annual basis. The failure to maintain

or renew any required license, certification, accreditation or regulatory approval or the failure to comply with current or future regulatory requirements or correct survey deficiencies identified in compliance surveys, or complaint surveys, could prevent the Authority or Health Care System to continue operations or expose them to other sanctions, including, but not limited to, fines. Further, if a facility or provider is found out of compliance with the conditions of participation in Medicare, Medicaid or other health care programs, such facility or provider may be terminated and barred from participation in government reimbursement programs and/or subject to other sanctions or remedies, which may include, among other things, civil monetary penalties and/or denial of payment for new admissions. Such occurrences would likely greatly impair the ability to operate profitably. Management of the Authority currently anticipates no difficulty in renewing or maintaining currently held licenses, certifications or accreditations that are material to the Authority and Health Care System's operations, and does not anticipate a reduction in third-party payments that would materially adversely affect the operations or financial condition of the Authority or Health Care System due to licensing, certification or accreditation difficulties. Nevertheless, actions in any of these areas could occur and could result in a reduction in utilization or revenues or both, or the loss of the Authority or Health Care System's ability to operate all or a portion of the health care facilities and providers, and, consequently, could adversely affect the ability to make principal, interest and any premium payments on the Series 2013 Certificates.

As indicated earlier, Georgia has a CON law that regulates various types of activities and expenditures on behalf of or for health care facilities and providers, including nursing homes, personal care homes and home health agencies (e.g., constructing a new health care facility or offering a new health care service, adding beds or expanding an existing facility or expanding an existing health care service area, investing in major capital equipment, capital expenditures above certain levels or expenditures, adding new health care services, relocating existing health care facilities or services, splitting nursing homes or changing the ownership or control of a CON). Before undertaking certain types of activities or expenditures, any person, including a nursing home, personal care home, home health agency or other health service facility or provider, is required to obtain prior state approval or authorization, often requiring the filing of an application for a CON, which is evaluated by the Georgia Department of Community Health on the basis of various statutory and regulatory criteria. These criteria include the need, cost-effectiveness and financial feasibility of each proposal, as well as the accessibility of the facility and service to indigent and other medically underserved patients. In some cases, applications to develop or operate a new service or facility are reviewed on a competitive basis. The Authority has received CONs, where required, for all currently operational activities and for a portion of the projects. In addition, there are certain activities or efforts a health care facility or provider may undertake that may not require a CON, but may still require various submissions or filings and certain prior approval or a formal exemption or exception from the Department of Community Health under the CON laws. There can be no assurance that the Authority will receive CONs, prior state approvals, authorizations or determinations for future activities.

Georgia's CON law may limit or even prevent the Authority and Health Care System from undertaking certain activities and expenditures which might be financially advantageous or to accommodate market demand. At the same time, Georgia's CON law may allow competitors to undertake activities or expenditures for which the Authority or Health Care System has been denied a CON or prior state approval or authorization. Georgia's CON law may also require substantial expenditures by the Authority and Health Care System in order to obtain a CON or prior state approval or authorization, including consulting fees and legal fees for preparation of applications, review of competing applications, preparation of written comments, and participation in public hearings, administrative hearings, litigation, and appeals. In addition, the statutory and regulatory requirements of Georgia's CON law may be amended in the future in ways that are adverse to the Authority and Health Care System (including increasing or decreasing the regulatory restrictions and resulting costs). For all of these reasons, the CON law could adversely affect the revenues of the Authority.

Environmental Laws Affecting Health Care Facilities

Health care facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. Among the types of management requirements include: specific regulatory requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; requirements for training employees in the proper handling and management of hazardous materials and waste; and other requirements. In their role as owners and operators of properties or facilities, health care facilities may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off of the property. Typical operations include, in various combinations the handling, use, storage, transportation, disposal and discharge of hazardous,

infectious, toxic, radioactive, flammable, and other hazardous materials, wastes, pollutants or contaminants. For this reason, health care operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their cost or both; may result in legal liability, damages, injunctions or fines, or may trigger investigations, administrative proceedings, penalties or other government agency actions. To the best of its knowledge, the Authority has never been sanctioned for a violation of any environmental regulation. There can be no assurance that the Authority will not encounter such risks in the future, and such risks may result in materially adverse consequences to the operations or financial condition of the Authority and Health Care System.

Business Relationships and Other Business Matters

Health Care System Pricing

Inflation in long-term care costs may evoke action by legislatures, payors or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services. Major purchasers of long-term care services could also take action to restrain charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of long-term care, including nursing homes, personal care homes, home health agencies and private home care providers, may be perceived negatively by consumers and long-term care facilities and providers may be forced to reduce fees for their services. Decreased utilization could result and revenues may be negatively impacted.

Antitrust

While enforcement of the antitrust laws against health care systems has been less intense in recent years, antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is evolving, and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines.

Labor Relations and Collective Bargaining

As major employers of professional, quasi-professional technical, clerical and other individuals, health care entities bear a wide variety of employment-related risks, including organized work stoppages, claims of discrimination, work-related injuries, exposure to hazardous materials, conflict between employees (including between physicians or management and employees, or between employees and patients), and other risks. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. Health care facilities are also not immune to alleged violations of federally mandated employment standards, including, but not limited to, wage and hour claims. There has been a recent increase in "wage and hour" issues against health care systems seen across the country, often in the form of large, multi-state class actions. This type of lawsuit can involve significant settlements, judgments or claims, and a major claim of this nature could have a material adverse impact on the Authority. Currently, no such class action lawsuits are pending. As of the date of this Official Statement, Management of the Authority is not aware of any efforts by any labor union to organize employees, and no employees are currently represented by unions. Health care facilities, however, have been subjected to an increasing number of union organizational efforts. Unionization of all or some of the Authority's employees could have an adverse effect on its financial condition.

Health Care Worker Classification

Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold income taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

Staffing

In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of health care specific shortages. Competition for employees, coupled with increased recruiting and retention costs will increase health care operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on long-term care facilities.

Professional Liability Claims and General Liability Insurance

In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance documents do not provide coverage for judgments for punitive damages.

As indicated in the Preliminary Official Statement, the Authority and Health Care System maintain a self-insurance trust and commercial insurance against professional liability claims and losses. However, should the Authority or Health Care System become subject to a substantial number of claims that were not covered by the self-insurance trust and commercial insurance, and such claims were determined adversely to the Authority or Health Care System with respect to monetary damages, there could be a material adverse effect on the financial condition of the Authority and Health Care System. Moreover, the Authority and Health Care System are unable to predict the cost or availability of any such insurance in the future.

Additional Indebtedness; Permitted Encumbrances

The Resolution permits the issuance of Parity Certificates and other indebtedness on a parity with the Series 2013 Certificates provided certain conditions are met. See "APPENDIX C: FORM OF THE RESOLUTION AND CONTRACT" hereto.

Damage or Destruction

Although the Authority is required under the Resolution to maintain insurance on its property, there can be no assurance that the Authority will not suffer uninsured losses in the future due to events not covered by such insurance or the unanticipated lapse in insurance coverage, or that the amount of any such loss, or the period during which the Authority's property cannot generate revenue, will not exceed the coverage of such insurance policies, if any.

Marketability of Series 2013 Certificates

Although the Underwriter expects to engage in the purchase and sale of the Series 2013 Certificates in the secondary market, there can be no assurance that there will always be a secondary market for the purchase and sale of the Series 2013 Certificates, and from time to time there may be no market for them depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, and the financial condition and results of operations of the Authority and its facilities. The Series 2013 Certificates should therefore be considered long-term investments in which funds are committed to maturity.

Insurance

The State of Georgia has enacted regulations and adopted policies affecting risk assumptions in the health care industry, including statutes, regulations, and policies that subject hospitals, physicians, and provider networks engaged in risk-based contracting to applicable insurance laws and regulations, which may include, among other things, laws and regulations providing for minimum capital requirements and other safety and soundness requirements. The Authority believes that it is currently in compliance with such insurance laws and regulations; however, implementation of additional regulations or compliance requirements could result in substantial costs to the Authority. The inability to enter into capitated or other risk-sharing arrangements, or the cost of complying with applicable laws in the future that affect the Authority's risk-based contracting activities, could have a material adverse effect on the Authority's business, financial condition, and results of operations.

Professional Liability Claims and Losses

The operations of the Authority, and thereby of the Authority's facilities and providers, may also be affected by increases in the incidence of professional liability lawsuits against health care facilities and providers in general, and increases in the dollar amount of patient damages and recoveries. Such lawsuits are not uncommon in the industry. As indicated in the Preliminary Official Statement, the Authority and Health Care System maintain a self-insurance trust and commercial insurance against professional liability claims and losses. However, should the Authority or Health Care System become subject to a substantial number of claims that were not covered by the self-insurance trust and commercial insurance, and such claims were determined adversely to the Authority or Health Care System with respect to monetary damages, there could be a material adverse effect on the financial condition of the Authority and Health Care System.

Certificate Ratings

There is no assurance that the ratings assigned to the Series 2013 Certificates at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2013 Certificates. See "MISCELLANEOUS – Rating."

Tax-Exempt Status of the Series 2013 Certificates

As described hereinafter under the caption "LEGAL MATTERS – Tax Exemption," failure to comply with certain continuing legal requirements may cause interest on the Series 2013 Certificates to become subject to federal income taxation retroactive to the date of issuance of the Series 2013 Certificates. The Resolution does not provide for the payment of any additional interest or penalty in the event of the taxability of interest on the Series 2013 Certificates.

Other Risk Factors

Construction Risks

Construction projects are subject to a variety of risks, including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and other factors.

Other Future Risks

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Authority or the market value of the Series 2013 Certificates, to an extent that cannot be determined at this time.

(1) The Authority's revenues may be affected by future medical and scientific advances resulting in decreased usage of long-term care facilities, and by efforts by insurers, private employers and governmental agencies to limit the cost of long-term care services, and to reduce utilization of long-term care facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, including changes in contracts for reimbursement limiting the amount of reimbursement for interest costs;

(2) An inflationary economy and difficulties in increasing room charges and other fees charged while at the same time maintaining the scope and quality of health services may affect the health care industry's ability to maintain sufficient operating margins;

(3) Health care facilities face the possible inability to obtain future governmental approvals to undertake projects that the Authority deems necessary to remain competitive both as to rates and charges and scope of care;

(4) A shortage of qualified professional personnel, including registered nurses, could significantly increase costs of the Authority by impacting the ability to deliver services and potentially resulting in higher wage costs to retain and recruit qualified personnel. The Authority cannot control the prevailing wage rates in the service areas and any increase in such rates will directly affect its costs of operations. In addition, such a shortage might cause the Authority to curtail certain operations at its health care facilities;

(5) The ability of and costs to insure or otherwise protect against malpractice claims may adversely affect the Authority. Changes in the cost of paying claims in excess of insurance coverage could directly (and indirectly by affecting the number of practicing physicians) adversely affect the operating results of the Authority. Prohibitive cost and unavailability of other types of insurance that the Authority desires to obtain may also adversely affect the Authority;

(6) Cost and availability of any insurance, such as malpractice, fire, automobile, and general comprehensive liability, carried by long-term care facilities similar in size and type to those of the Authority may adversely affect the Authority's revenues;

(7) Failure to comply with certain legal requirements may cause interest on the Series 2013 Certificates to become subject to federal income taxation retroactive to the date of issuance of the Series 2013 Certificates. The Resolution does not provide for the payment of any additional interest or penalty in the event of taxability of the interest on the Series 2013 Certificates;

(8) The occurrences of natural disasters, including floods and earthquakes, may damage part or all of the facilities of the Authority, interrupt utility service to part or all of the facilities of the Authority or otherwise impair the operation of part or all of the facilities of the Authority or the generation of revenues from part or all of the facilities of the Authority beyond existing insurance coverages;

(9) Adoption in the State of Georgia of legislation that would establish a rate-setting agency with statutory control over long-term care facilities in Georgia;

(10) Increased competition in the future from other long-term care facilities or other types of health care providers, including health maintenance organizations, that would offer comparable health care services to the population that the Authority presently serves;

(11) A decline in the population, a change in the age composition of the population, or a decline in the economic condition of the service area;

(12) Efforts by insurers and governmental agencies to limit the costs of long-term care services and to reduce the utilization of long-term care facilities by such means as preventive medicine, improved occupational health and safety and outpatient care;

(13) Unreimbursed increases in utility costs in the future due to an energy shortage or other factors;

(14) Imposition of wage and price controls for the health care industry;

(15) Developments or events affecting the federal or state exemption of the income of the Authority from taxation or the adoption of federal or state legislation adversely affecting the Authority or its revenue producing capability or adversely affecting the exemption of property owned by them from state and local property taxation or the ability of its members to utilize tax-exempt financing;

(16) A reduction in the amounts of grants and contributions received from various sources, or the elimination of such grants and contributions; and

(17) The ability to comply with environmental laws and regulations.

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APPENDIX G
FORM OF OFFICIAL NOTICE OF SALE

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OFFICIAL NOTICE OF SALE

\$35,000,000*

HOSPITAL AUTHORITY OF COLUMBUS, GEORGIA REVENUE ANTICIPATION CERTIFICATES SERIES 2013

Electronic Bids will be received by the Hospital Authority of Columbus, Georgia (the "Authority") on February 13, 2013 (the "Date of Sale"), for all, but not less than all, of the above captioned certificates (the "Series 2013 Certificates" or the "Certificates"), as more fully described below. **The Authority reserves the right to postpone the sale upon not less than 24 hours' notice. If such a postponement occurs, a later sale date may be held as communicated via www.i-dealprospectus.com upon at least 48 hours' notice.**

The Series 2013 Certificates will be sold all or none at 10:30 AM Eastern Time on the Date of Sale as tax-exempt obligations, the interest on which, in the opinion of Bond Counsel, will be excludable from gross income for federal income tax purposes, will not be an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and will be exempt from present State of Georgia income taxation.

SECURITY AND PURPOSE: The Series 2013 Certificates will be special limited obligations of the Authority secured by a first priority pledge of and lien on the gross revenues derived by the Authority from its ownership and operation of the Current Facilities and when completed, the New Facilities, and will be further secured by a contract to be entered into with the Consolidated Government of Columbus ("Columbus") as of the date of issuance and delivery of the Series 2013 Certificates (the "Contract"), whereby Columbus will have agreed to levy an annual *ad valorem* tax on all taxable property located within the territorial limits of Columbus, at a rate not to exceed four mills of the seven mills authorized under the Hospital Authorities Law of Georgia, as may be necessary to produce in each year revenues which are sufficient to pay the principal of and interest on the Series 2013 Certificates, as more fully set forth in the Preliminary Official Statement dated January 31, 2013. **The obligations of Columbus to make the payments required pursuant to the Contract are absolute and unconditional and such payments shall not be abated or reduced because of damage to or destruction of any Facilities. Columbus may not exercise any right of set-off or any similar right because of a claimed breach of the Contract by the Authority.**

MATURITIES: The principal of the Certificates shall be paid, subject to optional redemption as hereinafter set forth, on July 1 in the years and amounts, and subject to adjustment as herein provided, as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2015	\$1,390,000	2022	\$1,580,000	2029	\$1,940,000
2016	1,410,000	2023	1,625,000	2030	2,010,000
2017	1,430,000	2024	1,670,000	2031	2,080,000
2018	1,455,000	2025	1,715,000	2032	2,155,000
2019	1,480,000	2026	1,765,000	2033	2,230,000
2020	1,510,000	2027	1,820,000	2034	2,310,000
2021	1,545,000	2028	1,880,000		

** Preliminary, subject to change*

TERM MATURITY OPTIONS: Bidders shall have the option to designate two or more consecutive principal payments of the Series 2013 Certificates occurring on and after 2024 as term maturities. Any term Certificates so designated shall be redeemed at par through scheduled mandatory redemptions in the years prior to maturity and through a final payment at maturity in the respective principal amounts as shown in the schedule of Maturities above, subject to any adjustments as hereinafter set forth.

ADJUSTMENTS TO MATURITY AMOUNTS: The Authority reserves the right to increase or decrease the maturity amounts of the Series 2013 Certificates as shown in this Official Notice of Sale, after the winning bid is received, by such amounts as are necessary to produce approximately level annual principal and interest payments, taking into account the amount of original premium bid, if any, and the Authority's funding requirements. The successful Bidder may not withdraw or change the interest rates bid or the initial reoffering prices as a result of any such changes within these limits. The dollar amount bid by the successful bidder will be adjusted to reflect any such adjustments. The adjusted bid price will reflect changes in the dollar amount of the underwriter's spread and the original issue premium, if any, and will not change the selling compensation per \$1,000 of par amount of Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate and reoffering price specified by the successful bidder for each maturity will not change. The Authority anticipates that the adjusted maturity amounts and bid price will be communicated to the successful bidder by 4:00 PM Eastern Time on the Date of Sale, but in no event any later than 24 hours after the receipt of bids.

REDEMPTION PROVISIONS: The Series 2013 Certificates maturing on and after July 1, 2024, are subject to optional redemption, in whole or in part on July 1, 2023 and at any time thereafter (if less than all of the Series 2013 Certificates of a maturity are to be redeemed, the actual Series 2013 Certificates of such maturity shall be selected by lot in such manner as may be designated by the Paying Agent) from any moneys available therefor. Series 2013 Certificates that are subject to redemption are callable in such order as may be designated by the Authority. Such redemption shall be made upon payment of the principal amount to be redeemed prior to maturity, without premium, plus accrued interest to the redemption date, if any. The Certificates are also subject to Extraordinary Redemption, under certain circumstances, as more fully set forth in the Preliminary Official Statement.

RECEIPT OF BIDS: The right is reserved to reject any and all bids, and to waive informalities in any and all bids. Bids are to be submitted electronically via the BiDCOMP™/PARITY® competitive bidding system. Each bidder shall be solely responsible for making necessary arrangements to access BiDCOMP™/PARITY® for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the Authority nor BiDCOMP™/PARITY® shall have any duty or obligation to provide or assure such access to any bidder, and neither the Authority nor BiDCOMP™/PARITY® shall be responsible for proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, BiDCOMP™/PARITY®. The Authority is using BiDCOMP™/PARITY® as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Certificates. For further information about BiDCOMP™/PARITY®, potential bidders may contact BiDCOMP™/PARITY® at 212-849-5021. Each bid must be unconditional

and irrevocable, and must be in accordance with the terms and conditions set forth in this Official Notice of Sale.

No bids will be accepted in written form, by facsimile transmission or in any other manner other than by means of the Bid Form via BiDCOMP™/PARITY®.

INTEREST RATES AND AWARD OF THE CERTIFICATES: The Certificates will be awarded to the responsible bidder whose bid results in the lowest true interest cost to the Authority. The true interest cost is that rate determined by doubling the semi-annual interest rate necessary to discount the debt service payments on the Certificates to the date of the Certificates, which results in an amount equal to the price bid for the Certificates. In the event of a tie bid, the winning bidder will be selected by lot. Any bid for less than one hundred percent (100.0%) of the principal amount of the Certificates, plus accrued interest to the date of delivery, if any, will be rejected. Bidders may specify the rate or rates of interest the Certificates are to bear, but no maturity may bear more than one rate of interest, and no interest rate may exceed five percent (5.00%).

FORM OF CERTIFICATES: The Certificates will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, in denominations of \$5,000 or any integral multiple thereof. The Certificates as initially issued shall be dated their date of issuance, and interest shall be payable July 1, 2013, and semi-annually thereafter on January 1 and July 1 until maturity at such rate or rates of interest as are specified by the successful bidder.

GOOD FAITH DEPOSIT: The successful bidder (the "Purchaser") will be required to submit a Good Faith Deposit (the "Deposit") in the amount of \$700,000 upon the notice of award, as described below. The Deposit shall be in the form of a federal funds wire transfer in immediately available funds and must be received no later than 4:00 PM local time on the date of the notice of award. Wire instructions to the successful bidder will be provided within two hours of the notice of award. No interest on the Deposit will accrue to the Purchaser, and the Deposit will be applied to the purchase price of the Certificates. In the event the Purchaser fails to honor its accepted bid, the Deposit and any interest earnings thereon will be retained by the Authority as liquidated damages.

DELIVERY AND PAYMENT: The Certificates are offered when, as and if issued, and are offered subject to Validation by the Superior Court of Muscogee County, Georgia. The Validation hearing will be held on February 6, 2013 and a final judgment entered prior to the Date of Sale. The Certificates are expected to be delivered on or about March 1, 2013, but not more than 30 days following the Date of Sale. Delivery of the properly executed Certificates will be made through The Depository Trust Company ("DTC") in New York, New York, and will be registered in the name of Cede & Co., as nominee of DTC, at the expense of the Authority, accompanied by a certified transcript of the record of the Validation proceedings, an Execution, Signature and No-Litigation Certificate, a Continuing Disclosure Certificate and the unqualified approving opinion of Bond Counsel, Gray Pannell & Woodward LLP, Savannah, Georgia, whose opinion shall be substantially in the form attached as Appendix E to the Official Statement, all without cost to the Purchaser. Certain legal matters are to be approved by Hatcher, Stubbs, Land, Hollis & Rothschild, LLP, Columbus, Georgia, Counsel to the Authority. Payment for the Certificates shall be made in immediately available federal funds by wire

transfer as directed by the Authority. The amount of the payment shall be equal to the amount bid (as reduced by the amount of the Deposit and subject to any adjustment in principal amounts as provided herein), plus accrued interest to the date of delivery of the Certificates, if any. The Authority will deliver to the Purchaser, which shall be responsible for redelivery to any members of its underwriting syndicate, copies of the final Official Statement in sufficient quantity in order for the Purchaser to comply with Rule 15c2-12(b)(4) promulgated under the Securities Exchange Act of 1934, as amended, and the rules of the Municipal Securities Rulemaking Board, upon the earlier of (1) seven business days after the date of sale or (2) the date which will allow such final Official Statement to accompany any confirmation that requests payment from any customer. In addition to the above described documents, the Authority will provide at closing a certificate, signed by appropriate officials of the Authority and Columbus, stating in effect that as of its date and at all times subsequent thereto and up to and including the time of delivery of the Certificates, the Official Statement, as amended or supplemented, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE AND CONTINUING DISCLOSURE: The Preliminary Official Statement, which is available via the Internet at www.i-dealprospectus.com, has been "deemed final" for purposes of S.E.C. Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement as defined in Rule 15c2-12(f)(3). The Authority designates the senior managing underwriter of the syndicate to which the Certificates are awarded as their agent for purposes of distributing copies of the final Official Statement to each participating underwriter. Any underwriter submitting a bid with respect to the Certificates agrees, if its bid is accepted by the Authority, (i) to accept such designation, and (ii) to contact all participating underwriters for the purpose of assuring the proper dissemination of the final Official Statement. In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the Authority will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The Continuing Disclosure Certificate will be a document required to be delivered at closing by the Authority; the failure by the Authority to deliver said certificate will relieve the Purchaser of its obligation to purchase the Certificates.

CUSIP IDENTIFICATION NUMBERS: Application for the assignment of CUSIP identification numbers will be made by the Authority, and payment of the fee charged by the CUSIP Service Bureau will be the responsibility of the Purchaser of the Series 2013 Certificates. Neither the failure to assign such numbers for the Series 2013 Certificates nor any error with respect thereto shall constitute cause for failure or refusal by the Purchaser to accept delivery of and payment for the Certificates.

INFORMATION FROM PURCHASER: The Purchaser of the Series 2013 Certificates shall be obligated to furnish, immediately after award of the Certificates and prior to delivery, such information as shall be necessary to enable the Authority to determine the "issue price" of the Certificates as defined in Section 1273 of the Internal Revenue Code, and to certify the same to Bond Counsel.

BLUE SKY LAWS: The Authority has not undertaken to register the Certificates under the securities laws of any state, nor has the Authority investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Certificates under any applicable legal investment, insurance, banking or other laws. By submitting a bid for the Certificates, the Purchaser represents that the sale of the Certificates in states other than Georgia will be made only under exemptions from registration or, whenever necessary, the Purchaser will register the Certificates in accordance with the securities laws of the state in which Certificates are offered or sold. The Authority agrees to cooperate with the Purchaser in any such registration, upon the Purchaser's written request and expense, but the Authority shall not be required to consent to service of process in any such state.

RATINGS: Application has been made to both Moody's Investors Service and Standard & Poor's Public Finance Ratings for their rating on the Certificates. Any explanation of the significance of these ratings may only be obtained from such rating agencies.

PAYING AGENT, REGISTRAR AND AUTHENTICATING AGENT: U.S. Bank, National Association, Corporate Trust Services, Atlanta, Georgia will serve as paying agent, registrar and authenticating agent with respect to the Certificates.

INTEREST AND PRINCIPAL PAYMENTS: Payments of interest and principal on the Certificates shall be paid by U.S. Bank, as paying agent, to Cede & Co., as nominee for DTC and as registered owner of the Certificates, to be subsequently disbursed to DTC participants and thereafter to the beneficial owners of the Certificates.

TAX STATUS: In the opinion of Bond Counsel, interest on the Series 2013 Certificates is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference for purposes of computing the alternative minimum tax on individuals and corporations, as more fully described in the Preliminary Official Statement. Bond Counsel is further of the opinion that, under present law, the interest income with respect to the Series 2013 Certificates is exempt from State of Georgia income taxation.

ADDITIONAL INFORMATION: Bids shall be submitted electronically as herein provided. Additional information is available from Davenport & Company LLC, Financial Advisor to the Authority, and directed to Robert L. Morrison, telephone number 678-445-9495, or email at rmorrison@investdavenport.com, Walter Goldsmith, telephone number 704-644-5412 or email at wgoldsmith@investdavenport.com, or from Tyler Traudt, telephone number 704-644-5415, or email at tylertraudt@invvestdavenport.com.

FRANK MORAST, President
Hospital Authority of Columbus

JAMES WEBSTER, Chairman
Hospital Authority of Columbus

PAMELA HODGE, Finance Director
Columbus Consolidated Government

Date: January 31, 2013

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