HOSPITAL AUTHORITY OF BAINBRIDGE
DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

FINANCIAL STATEMENTS

for the years ended March 31, 2022 and 2021

Draffin Tucker

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HOSPITAL AUTHORITY OF BAINBRIDGE
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(A Component Unit of Decatur County, Georgia)

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for the years ended March 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hospital Authority of Bainbridge
Decatur County, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Authority of Bainbridge, Decatur County, Georgia (Authority) (a component unit of Decatur County, Georgia), which comprise the balance sheets as of March 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of March 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 14 and 19 to the financial statements, the Authority is fiscally dependent on Decatur County and the City of Bainbridge. Our opinion is not modified with respect to that matter.

Continued

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

Continued

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
August 16, 2022

Management's Discussion and Analysis
For the Year Ending March 31, 2022

Our discussion and analysis of the Hospital Authority of Bainbridge, Decatur County, Georgia's (Authority) financial performance provides an overview of the Authority's financial activities during the fiscal years ended March 31, 2022, 2021, and 2020. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

Memorial Hospital and Manor's (MHM) fiscal year 2022 represented a substantial increase in gross patient revenue when compared to its performance for fiscal year 2021 due mainly to an increase in outpatient revenue. Overall gross patient revenue was up \$16.5 million or 13.5% while net patient revenue increased \$2.8 million or 6.6% as a direct result of gross patient revenue increasing. Total charges related to uncompensated charity and indigent care was approximately \$5.3 million during the fiscal year. However, due to an increase in non-operating revenue of \$5.6 million MHM completed the year with an increase in net income of \$3.7 million over fiscal year 2021. Total expenses for the year increased \$4.1 million or 8.6%.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the Authority's finances begins on page 8. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?". The balance sheet and the statement of revenues, expenses, and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expense are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

Continued

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The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What is cash used for?" and "What was the change in cash balance during the reporting period?"

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported on the balance sheet. The following table summarizes the balance sheets as of March 31, 2022, 2021, and 2020:

Balance Sheet Data

	2022	2021	2020
Current assets	$ 17,609,761	$ 18,619,915	$ 12,127,500
Capital assets, net	12,467,275	12,284,905	11,950,684
Other non-current assets	15,513,211	11,264,176	2,807,989
Total assets	$ 45,590,247	$ 42,168,996	$ 26,886,173
Current liabilities	$ 18,544,278	$ 22,631,265	$ 13,791,632
Medicare advance payments, long-term	-	1,343,007	-
Long-term debt	8,120,000	8,810,000	9,575,061
Total liabilities	26,664,278	32,784,272	23,366,693
Net position:			
Net investments in capital assets	4,175,770	3,434,559	2,884,196
Restricted	2,826,921	2,534,806	1,717,651
Unrestricted	11,923,278	3,415,359	(1,082,367)
Total net position	18,925,969	9,384,724	3,519,480
Total liabilities and net position	$ 45,590,247	$ 42,168,996	$ 26,886,173

Current assets decreased by approximately $1.0 million primarily due to the required spending of CARES Provider Relief Funds. Other receivables decreased slightly by $355,448 although net patient receivables and prepaid increased $280,410; other miscellaneous receivables and inventory decreased $635,858. The Indigent Care receivable decreased to $768,864 due to the timing of receiving funds from the Department of Community Health. Current liabilities decreased by $4.1 million due to the forgiveness of the PPP loan during 2022; and, $132,855 in insurance proceeds were deferred resulting from the loss of MHM's alarm system due to inclement weather. Accounts payable and accrued liabilities increased slightly by $244,418 due to the accrual of expenditures for MHM's eICU project to be funded from the eICU State grant.

Continued

The following table summarizes the revenues and expenses for the years ended March 31, 2022, 2021, and 2020:

Statement of Revenue and Expense Data

	2022	2021	2020
Operating revenue	$ 49,197,104	$ 46,667,067	$ 45,466,128
Expenses:			
Operating expenses	49,779,821	45,741,786	45,557,153
Depreciation and amortization	1,408,333	1,373,523	1,352,478
Total expenses	51,188,154	47,115,309	46,909,631
Operating loss	(1,991,050)	(448,242)	(1,443,503)
Nonoperating revenues (expenses)	8,386,469	4,865,389	(65,195)
Rural Hospital Tax Credit	2,401,473	802,667	828,830
Capital contributions	744,353	645,430	575,307
Change in net position	9,541,245	5,865,244	(104,561)
Net position at beginning of year	9,384,724	3,519,480	3,624,041
Net position at end of year	$ 18,925,969	$ 9,384,724	$ 3,519,480

Increases in outpatient volumes for the Authority resulted in an increase in gross patient revenue of $16.5 billion or 13.5% while net patient service revenue increased $2.8 million or 6.6%. The Authority's provision for bad debt and deductions increased by $13.7 million due as a result of increased volumes.

Total operating expenses increased approximately $4.1 million or 8.6%. Salaries and wages increased by $1.6 million or 7.8%. Physician fees increased by approximately $512,212 or 26.5% primarily due to increased nightly coverage in ER, professional fees increased by $822,138 or 18.0% contract labor for Med Surg, Manor, ICU and collections. Medical supply costs also increased by $457,194 or 9.64% due to higher cost COVID-19 related drugs supplies. Leases increased $145,684 or 44.34% with the replacement of the aging endoscopy equipment completing the notably increases in expenditures in FY2022.

Continued

Capital Assets and Long-Term Debt

A recap of the Authority's long-term debt and capital lease obligations outstanding at March 31, 2022 and 2021 follows:

Description	Interest Rates	Long-Term Debt 2022	Long-Term Debt 2021
Revenue Certificates, Series 2017A	2.990%	$ 8,810,000	$ 9,330,000
Revenue Certificates, Series 2017B	2.990%	-	150,000
Capital lease obligations	Various	-	95,061
Paycheck Protection Program	1.00%	-	4,280,162
Total long-term debt and capital lease obligations		$ 8,810,000	$ 13,855,223

The Authority's investment in capital assets for 2022 is summarized in the table below:

Capital Assets	Amount
Computer equipment and software	$ 182,125
Remodel and upgrade projects	594,409
Medical equipment	726,627
Other	118,911
Total	$ 1,622,072

See Notes 6 and 8 in the financial statements for additional information about capital assets and long-term debt.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Authority finance department at Hospital Authority of Bainbridge, Decatur County, Georgia, 1500 East Shotwell Street, Bainbridge, GA 31717.

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

BALANCE SHEETS
March 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash	$ 5,348,597	$ 6,032,689
Current investments restricted by bond indenture for debt service	690,000	670,000
Patient accounts receivable, net of allowance for doubtful accounts of approximately $15,900,000 in 2022 and $17,000,000 in 2021	6,939,027	6,760,327
Other receivables	3,512,652	3,694,214
Inventories, at lower of cost (first-in, first-out) or market	588,376	646,594
Prepaid expenses	481,431	379,720
Estimated third-party payor settlements	49,678	436,371
Total current assets	17,609,761	18,619,915
Noncurrent cash and investments:		
Internally designated for capital improvements	12,608,544	8,595,654
Restricted by insurance carrier for self-insurance	747,614	746,692
Restricted by bond indenture for capital improvements	518,495	574,715
Restricted by bond indenture for debt service	1,389,307	1,118,114
Total noncurrent cash and investments	15,263,960	11,035,175
Capital assets:		
Land	729,484	729,484
Construction in progress	448,160	388,555
Depreciable capital assets, net of accumulated depreciation	11,289,631	11,166,866
Total capital assets, net of accumulated depreciation	12,467,275	12,284,905
Other assets:		
Notes receivable	249,251	229,001
Total assets	$ 45,590,247	$ 42,168,996

Continued

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

BALANCE SHEETS, Continued
March 31, 2022 and 2021

	2022	2021
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of long-term debt	$ 690,000	$ 670,000
Current portion of capital lease obligation	-	95,061
Paycheck Protection Program loan	-	4,280,162
Accounts payable	6,223,949	7,748,220
Accrued liabilities	2,044,339	2,100,213
Current portion of Medicare advance payments	1,377,250	1,587,189
CARES Act unearned revenue	8,208,740	6,150,420
Total current liabilities	18,544,278	22,631,265
Medicare advance payments, excluding current portion	-	1,343,007
Long-term debt, excluding current installments	8,120,000	8,810,000
Total liabilities	26,664,278	32,784,272
Net position:		
Net investment in capital assets	4,175,770	3,434,559
Restricted:		
Expendable for self-insurance	747,614	746,692
Expendable for bond indenture	2,079,307	1,788,114
Unrestricted	11,923,278	3,415,359
Total net position	18,925,969	9,384,724
Total liabilities and net position	$ 45,590,247	$ 42,168,996

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended March 31, 2022 and 2021

	2022	2021
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately $12,100,000 in 2022 and $8,700,000 in 2021)	$ 45,887,189	$ 43,060,540
County contributions for indigent care	1,245,982	1,347,312
Other revenue	2,063,933	2,259,215
Total operating revenues	49,197,104	46,667,067
Operating expenses:		
Salaries and wages	22,636,933	21,009,695
Employee health and welfare	6,264,257	5,968,039
Medical supplies and other	11,587,991	11,017,573
Professional fees	4,068,230	2,924,910
Purchased services	5,222,410	4,821,569
Depreciation and amortization	1,408,333	1,373,523
Total operating expenses	51,188,154	47,115,309
Operating loss	(1,991,050)	(448,242)
Nonoperating revenues (expenses):		
Interest expense	(274,053)	(305,526)
Rural hospital tax credit contributions	2,401,473	802,667
Other income	933,243	852,217
PPP loan forgiveness	4,280,162	-
CARES Act funding	3,447,117	4,318,698
Total nonoperating revenues	10,787,942	5,668,056
Excess revenues before contributions	8,796,892	5,219,814
Capital contributions	55,215	39,920
Decatur County contributions from sales tax funds for capital expenditures	689,138	605,510
Increase in net position	9,541,245	5,865,244
Net position at beginning of year	9,384,724	3,519,480
Net position at end of year	$ 18,925,969	$ 9,384,724

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 49,586,659	$ 45,210,198
Receipts from (repayments of) Medicare advance payments	(1,552,946)	2,930,196
Payments to vendors and other suppliers	(22,457,831)	(20,918,752)
Payments to employees and related benefits	(28,977,314)	(27,094,910)
Net cash provided (used) by operating activities	(3,401,432)	126,732
Cash flows from noncapital financing activities:		
Proceeds from PPP loan	-	4,280,162
Principal paid on long-term debt (Series 2017B)	(150,000)	(650,000)
Interest paid on long-term debt (Series 2017B)	(3,983)	(21,906)
Proceeds from issuance of short-term debt	-	581,048
Principal paid on short-term debt	-	(581,048)
Interest paid on short-term debt	-	(647)
CARES Act funding	5,505,437	10,469,118
Rural hospital tax credit contributions	2,401,473	802,667
Other noncapital contributions	897,176	258,033
Net cash provided by noncapital financing activities	8,650,103	15,137,427
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,590,772)	(1,735,091)
Proceeds on the sale of capital assets	-	5,859
Principal paid on long-term debt (Series 2017A)	(520,000)	-
Interest paid on long-term debt (Series 2017A)	(270,070)	(282,973)
Payments on capital lease obligations	(95,061)	(220,318)
Donation from Foundation for capital purchases	55,215	39,920
Decatur County sales tax funds	689,138	605,510
Net cash used by capital and related financing activities	(1,731,550)	(1,587,093)
Cash flows from investing activities:		
Investment income	47,572	129,299
Proceeds from sale of investments	-	27,540
Purchase of investments	(922)	(1,471)
Net cash provided by investing activities	46,650	155,368
Net increase in cash	3,563,771	13,832,434
Cash, beginning of year	16,991,172	3,158,738
Cash, end of year	$ 20,554,943	$ 16,991,172

Continued

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended March 31, 2022 and 2021

	2022	2021
Reconciliation of cash to the balance sheets:		
Cash in current assets	$ 5,348,597	$ 6,032,689
Cash in noncurrent cash and investments	15,206,346	10,958,483
Total cash	$ 20,554,943	$ 16,991,172
Reconciliation of operating loss to net cash flows provided (used) by operating activities:		
Operating loss	$ (1,991,050)	$ (448,242)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,408,333	1,373,523
Provision for bad debts	12,104,565	8,650,670
Changes in:		
Patient accounts receivable	(12,283,265)	(8,303,247)
Estimated third-party payor settlements	386,693	(775,900)
Inventories	58,218	(103,082)
Other current assets	79,851	(1,132,496)
Notes receivable	(20,250)	182,289
Accounts payable	(1,535,707)	(1,947,514)
Accrued liabilities	(55,874)	(299,465)
Medicare advance payments	(1,552,946)	2,930,196
Net cash provided (used) by operating activities	$ (3,401,432)	$ 126,732

Supplemental disclosures of cash flow information:

- During fiscal year 2021, the Authority was released from certain vendor liabilities in the amount of $486,373.
- The Authority received PPP loan forgiveness of $4,280,162 from SBA in 2022. See Note 8 for additional information.

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The Hospital Authority of Bainbridge, Decatur County, Georgia (Authority) is a public corporation which operates and manages Memorial Hospital, Memorial Manor Nursing Home, and Willow Ridge Assisted Living Facility. Decatur County, Georgia appoints five members to the Board of Directors and the City of Bainbridge, Georgia appoints two members to the Board of Directors. For this reason, the Authority is considered a component unit of Decatur County, Georgia.

Use of Estimates

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

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Allowance for Doubtful Accounts

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

Noncurrent Cash and Investments

Restricted investments include amounts externally defined for use by bond indenture and insurance carrier.

Designated investments primarily include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Continued

1. Summary of Significant Accounting Policies, Continued

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Restricted Resources

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

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers and furniture	3 to 7 years

Prior to May 2021, the Authority capitalized capital purchases exceeding $500 and a useful life of three years or longer. Effective May 2021, that amount changed to $2,500.

Financing Costs

Costs incurred in connection with the issuance of debt are expensed in the period in which they are incurred.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is expensed in the period in which the cost is incurred.

Continued

1. Summary of Significant Accounting Policies, Continued

Compensated Absences

The Authority's employees earn vacation days at varying rates depending on years of service. Employees may accumulate vacation time up to a specified maximum. Any days above the maximum will expire on December 31st every year. Once five years of continuous employment is complete, the employee is eligible to receive payment for all accrued vacation days as long as the employee gives proper notice of leaving or retirement. If the Authority terminates an employee, the employee is not eligible to receive payment for any accrued vacation days. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specified maximum. No payment will be made for unused sick leave. The estimated amount of vacation payable is reported as a current liability in both 2022 and 2021.

CARES Act Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 20 for additional information.

Net Position

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

Operating Revenues and Expenses

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

1. Summary of Significant Accounting Policies, Continued

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

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

Charity Care

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

Grants and Contributions

The Authority occasionally receives grants from Decatur County and Memorial Hospital Foundation, Inc., as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 20 for additional information regarding CARES Act funding.

Income Taxes

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

Continued

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended March 31, 2022 and 2021.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Authority is self-insured for employee health insurance and medical malpractice claims as discussed in Note 11.

Self-Insurance Costs

The provisions for claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Fair Value Measurements

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

Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

GASB No. 72 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

- *Level 3:* Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently Adopted Accounting Pronouncement

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred rather than being included in the cost of the capital asset. The adoption of GASB 89 had no material impact on the financial statements of the Authority.

Accounting Pronouncement Not Yet Adopted

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

Continued

2. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 26%, respectively, of the Authority's net patient revenue for 2022, and 28% and 25%, respectively, of the Authority's net patient revenue for 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

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

- Medicare

  Inpatient and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  Nursing home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system called Resource Utilization Groups (RUGs). Effective October 1, 2019, the services rendered to Medicare program beneficiaries will be paid based on a patient-driven payment methodology.

  Certain other reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through March 31, 2018.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid

  Inpatient services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

  The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 2018.

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

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

  The Authority participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The ICTF is funded through intergovernmental transfers from participating public hospitals and matching federal funds. The net amount of ICTF payments recognized in net patient service revenue was approximately $3,003,000 and $2,390,000 for the years ended March 31, 2022 and 2021, respectively.

  The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments for certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $1,631,000 and $2,427,000 for the years ended March 31, 2022 and 2021, respectively. For 2022 and 2021, the Authority recorded a receivable for ICTF and UPL funds of approximately $2,711,000 and $3,480,000, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  The state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately $961,000 and $931,000 relating to the Act is included in medical supplies and other in the accompanying statement of revenues, expenses and changes in net position for the years ended March 31, 2022 and 2021, respectively.

- Other Arrangements

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

3. Uncompensated Charges

The Authority was compensated for services at amounts less than its established rates. Charges foregone related to contractual agreements and provision for bad debts for 2022 and 2021 were approximately $92,700,000 and $79,000,000, respectively.

Uncompensated charges include charity and indigent care services of approximately $5,300,000 and $5,500,000 in 2022 and 2021, respectively. The cost of charity and indigent care services provided during 2022 and 2021 was approximately $2,000,000 and $2,100,000, respectively, computed by applying a total cost factor to the charges forgone.

Continued

3. Uncompensated Charges, Continued

The following is a summary of uncompensated charges and a reconciliation of gross patient charges to net patient service revenue for 2022 and 2021.

	2022	2021
Gross patient charges	$ 138,578,968	$ 122,072,735
Uncompensated charges:		
Charity and indigent charges	5,273,336	5,523,194
Medicare	36,024,968	31,975,885
Medicaid	21,351,921	17,347,143
Other	17,936,989	15,515,303
Bad debts	12,104,565	8,650,670
Total uncompensated charges	92,691,779	79,012,195
Net patient service revenue	$ 45,887,189	$ 43,060,540

4. Deposits and Investments

Deposits and investments are generally carried at fair value and consist of cash, certificates of deposit, money market deposit accounts, and money market mutual funds. The mutual funds are open ended and are classified in Level 1 of the fair value hierarchy and valued using prices quoted in active markets for those securities.

The carrying amounts of deposits and investments shown below are included in the Authority's balance sheets:

	2022	2021
Balance sheets:		
Cash	$ 5,348,597	$ 6,032,689
Current investments restricted by bond indenture for debt service	690,000	670,000
Noncurrent cash and investments:		
Internally designated for capital improvements	12,608,544	8,595,654
Restricted by insurance carrier for self-insurance	747,614	746,692
Restricted by bond indenture for capital improvements	518,495	574,715
Restricted by bond indenture for debt service	1,389,307	1,118,114
Total	$ 21,302,557	$ 17,737,864

Continued

4. Deposits and Investments, Continued

	2022	2021
Deposits and investments consist of the following:		
Deposits with financial institutions	$ 5,348,597	$ 6,032,689
Certificates of deposit	747,614	746,692
Money market deposit accounts	12,606,308	8,593,418
Money market mutual funds	2,600,038	2,365,065
Total deposits and investments	$ 21,302,557	$ 17,737,864

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority. As of year-end, the Authority's bank balances are collateralized as follows:

	2022	2021
Insured (FDIC) or collateralized with securities held by the Authority	$ 1,000,000	$ 1,000,000
Collateralized by securities held by the pledging financial institutions trust department in the Authority's name	17,897,409	14,512,236
Total (bank balance)	$ 18,897,409	$ 15,512,236
Carrying amount (book balance)	$ 18,701,875	$ 15,372,071

On June 21, 2021, the FHL Bank issued an irrevocable letter of credit for $500,000 in favor of the Authority. On November 29, 2021, the amount available was amended to $7,000,000. This letter of credit is being issued pursuant to a request by First Port City Bank to secure public deposits placed with the Bank by one or more public depositors.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have an investment policy for custodial credit risk. At March 31, 2022 and 2021, the Authority owned approximately $2,600,000 and $2,365,000, respectively, in investments that were unsecured and held by the Authority's brokerage firm in the Authority's name.

Continued

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued liabilities) reported as current assets and liabilities by the Authority at March 31, 2022 and 2021 consisted of these amounts:

	2022	2021
Patient Accounts Receivable		
Receivable from patients and their insurance carriers	$ 13,426,981	$ 14,653,490
Receivable from Medicare	6,064,956	6,373,764
Receivable from Medicaid	3,348,637	2,780,264
Total patient accounts receivable	22,840,574	23,807,518
Less allowance for uncollectible amounts and contractual adjustments	15,901,547	17,047,191
Patient accounts receivable, net	$ 6,939,027	$ 6,760,327
Accounts Payable and Accrued Liabilities		
Payable to employees (including payroll taxes and other benefits)	$ 1,563,549	$ 1,819,750
Payable to suppliers	6,223,949	7,748,220
Payable to other	480,790	280,463
Total accounts payable and accrued liabilities	$ 8,268,288	$ 9,848,433

Continued

6. Capital Assets

A summary of capital assets for the years ended March 31, 2022 and 2021 follows:

	2021 Balance	Increase	Decrease	2022 Balance
Land	$ 729,484	$ -	$ -	$ 729,484
Building and improvements	25,775,169	208,888	-	25,984,057
Equipment	20,350,046	1,322,529	(653,877)	21,018,698
Construction in progress	388,555	779,286	(719,681)	448,160
Total capital assets	47,243,254	2,310,703	(1,373,558)	48,180,399
Less accumulated depreciation:				
Buildings and improvements	17,855,777	529,360	-	18,385,137
Equipment	17,102,572	878,973	(653,558)	17,327,987
Total accumulated depreciation	34,958,349	1,408,333	(653,558)	35,713,124
Net capital assets	$ 12,284,905	$ 902,370	$ (720,000)	$ 12,467,275

	2020 Balance	Increase	Decrease	2021 Balance
Land	$ 729,484	$ -	$ -	$ 729,484
Building and improvements	25,718,624	56,545	-	25,775,169
Equipment	19,486,416	1,293,267	(429,637)	20,350,046
Construction in progress	9,135	989,579	(610,159)	388,555
Total capital assets	45,943,659	2,339,391	(1,039,796)	47,243,254
Less accumulated depreciation:				
Buildings and improvements	17,333,420	522,357	-	17,855,777
Equipment	16,659,555	851,166	(408,149)	17,102,572
Total accumulated depreciation	33,992,975	1,373,523	(408,149)	34,958,349
Net capital assets	$ 11,950,684	$ 965,868	$ (631,647)	$ 12,284,905

Continued

6. Capital Assets, Continued

Cost for equipment under capital lease obligations was approximately $1,036,000 at March 31, 2022 and 2021. Accumulated amortization for equipment under capital lease obligations was approximately $1,036,000 and $881,000 at March 31, 2022 and 2021, respectively.

Construction and equipment contracts of approximately $311,000 exist for the renovation and construction of facilities. At March 31, 2022, the remaining commitment on these contracts approximated $196,000.

7. Short-Term Debt

A summary of short-term debt at March 31, 2022 and 2021 follows:

	2020 Balance	Additions	Reductions	2021 Balance
First National Bank notes payable	$ -	$ 581,048	$ (581,048)	$ -
Total short-term debt	$ -	$ 581,048	$ (581,048)	$ -

- First National Bank notes payable, multiple notes initiated with principal amounts ranging from $155,000 to $581,000 and interest rates ranging from 2.40% to 2.45% to meet current obligations and those related to the intergovernmental transfer funds for ICTF and UPL funds during the fiscal year 2021.

Continued

8. Long-Term Debt

A summary of long-term debt at March 31, 2022 and 2021, follows:

	2022	2021
Revenue Certificates - Series 2017A, payable in annual installments ranging from $690,000 beginning September 1, 2022 to $925,000 on September 1, 2032, with 2.99% interest paid semi-annually.	$ 8,810,000	$ 9,330,000
Revenue Certificates - Series 2017B, payable in annual installments ranging from $610,000 beginning September 1, 2018 to $150,000 on September 1, 2021, with 2.99% interest paid semi-annually.	-	150,000
1.0% note payable, due April 2022 under the Paycheck Protection Program. Loan forgiven in full on June 14, 2021.	-	4,280,162
Total long-term debt	8,810,000	13,760,162
Less current installments of long-term debt	690,000	4,950,162
Long-term debt, excluding current installments	$ 8,120,000	$ 8,810,000
Capital lease obligations, at varying rates of interest, collateralized by leased equipment and software.	$ -	$ 95,061
Less current portion of capital lease obligation	-	95,061
Capital lease obligations, excluding current portion	$ -	$ -

In March 2017, the Authority issued private placement Revenue Certificates, Series 2017A and 2017B, collectively Series 2017 Certificates, in the amount of $9,330,000 and $2,040,000, respectively. The Series 2017A Certificates were issued for the purpose of (i) refinancing certain outstanding capital indebtedness of the Authority and (ii) financing or refinancing the acquisition, renovation, and equipping of existing healthcare related facilities owned and operated by the Authority. The Series 2017B Certificates were issued for the purpose of refinancing certain outstanding operating indebtedness of the Authority.

Continued

8. Long-Term Debt, Continued

As a result of refinancing the outstanding debt, the Authority increased its total debt service requirements by approximately $3,300,000, which resulted in an economic loss (the difference between the present value of the debt service payments on the old and new debt) of approximately $250,000.

The Series 2017 Certificates are special, limited obligations of the Authority payable from and secured by a pledge of and lien on the gross revenues of the Authority.

The Series 2017A Certificates are subject to optional redemption by the Authority on or after March 1, 2026, in whole at any time or in part on any interest payment date, in reverse order of maturities, at a redemption price equal to 100% principal amount being redeemed, plus accrued interest. The Series 2017B Certificates are not subject to optional redemption.

The Authority and the City of Bainbridge (City) entered into a contract in which the City agreed to pay to or for the account of the Authority amounts sufficient to pay the debt service on the Series 2017 Certificates, up to the seven mill limitation described in the Hospital Authority's Law, to the extent other forms of payment from the Authority or Decatur County, Georgia, as discussed in Note 14, are not sufficient. This agreement also grants the City a first lien on the real estate owned by the Authority as of March 1, 2017, and to the extent provided therein, a second lien on the Authority's net accounts receivable.

Under the terms of the Series 2017 Certificates, the Authority is required to maintain certain deposits with a trustee. These deposits are reported as noncurrent investments restricted by bond indenture.

The Series 2017 Certificates contain a provision that in an event of default, outstanding obligations may become immediately due and payable.

In April 2020, the Authority received loan proceeds in the amount of $4,280,162 under the Paycheck Protection Program (PPP), as a direct borrowing. The PPP, established as a part of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. PPP loans greater than $2 million are subject to review by the Small Business Administration. The Authority intends to use the proceeds for purposes consistent with the PPP. The Authority will recognize any forgiveness of the loan at the time the Authority is legally released from the debt. On June 14, 2021, the Authority received forgiveness for the full amount of the loan and recognized $4,280,162 during fiscal year 2022.

Continued

8. Long-Term Debt, Continued

	2021 Balance	Additions	Reductions	2022 Balance	Amounts Due Within One Year
Revenue certificates	$ 9,480,000	$ -	$ (670,000)	$ 8,810,000	$ 690,000
Capital leases	95,061	-	(95,061)	-	-
PPP loan	4,280,162	-	(4,280,162)	-	-
Total long-term obligations	$ 13,855,223	$ -	$ (5,045,223)	$ 8,810,000	$ 690,000

	2020 Balance	Additions	Reductions	2021 Balance	Amounts Due Within One Year
Revenue certificates	$ 10,130,000	$ -	$ (650,000)	$ 9,480,000	$ 670,000
Capital leases	315,379	-	(220,318)	95,061	95,061
PPP loan	-	4,280,162	-	4,280,162	4,280,162
Total long-term obligations	$ 10,445,379	$ 4,280,162	$ (870,318)	$ 13,855,223	$ 5,045,223

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

	Revenue Certificates	
Year Ending March 31:	Principal	Interest
2023	$ 690,000	$ 253,104
2024	710,000	232,174
2025	730,000	210,646
2026	750,000	188,520
2027	775,000	165,721
2028-2032	4,230,000	462,254
2033	925,000	13,828
Total	$ 8,810,000	$ 1,526,247

Continued

9. Pension

The Memorial Hospital and Manor Retirement Savings Plan (Plan) is a 403(b) plan and was established by the Authority and administered by VALIC to provide benefits at retirement to substantially all employees of the Authority. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors.

Employees contribute a portion of their pre-tax wages and the Authority funds a matching contribution at its discretion. Employees are vested immediately in their contributions. Vesting in the Authority's contribution portion of their accounts is based on years of continuous service. Forfeited nonvested accounts are held and applied to reduce future employer contributions.

For the years ended March 31, 2022 and 2021, the Authority contributed approximately $110,000 and $120,000 in discretionary funds, respectively. The Authority had no liability outstanding related to the Plan at March 31, 2022 or 2021.

10. Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2022 and 2021 was as follows:

	2022	2021
Medicare	28%	29%
Medicaid	12%	9%
Third-party payors	35%	33%
Self-pay patients	25%	29%
Total	100%	100%

Continued

11. Self-Insurance

The Authority has a self-insurance program for employee health insurance under which a third-party administrator processes and pays claims. The Authority reimburses the third-party administrator monthly for claims incurred and paid. The Authority has purchased stop-loss insurance coverage for claims in excess of $125,000 for each individual employee. During 2017, the Authority also entered the Decatur County Healthcare Cooperative Series of Sentinel Indemnity, LLC, a captive insurance Plan, along with Decatur County, Georgia and the City of Bainbridge. The captive agreement provides additional stop-loss coverage for claims in excess of $225,000 for each individual employee. Under these self-insurance programs, the Authority incurred expenses of approximately $4,359,000 and $4,193,000 including administrative fees during the years ended March 31, 2022 and 2021, respectively.

The Authority has a partial self-insurance program for medical malpractice liability claims. The Authority is self-insured up to $1,000,000 per claim and has purchased liability coverage above $1,000,000 per claim and $3,000,000 in the aggregate. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority. The Authority has designated assets, as required by the liability policy, to be used for liabilities resulting from claims for which the Authority may ultimately be responsible.

12. Contingencies

Various claims and assertions are made against the Authority during the ordinary course of business. It is the opinion of management and management's legal counsel that any losses that may result from such claims and assertions would not materially affect the operations or financial position of the Authority as of and for the years ended March 31, 2022 and 2021. In addition, the state of Georgia legislature passed tort reform, which could limit the amount of certain settlements.

13. Related Organization

The Memorial Hospital Foundation, Inc. (Foundation) was created to support and promote the health care programs, operations, and activities of the Authority. The Foundation's funds are distributed to the Authority in amounts and in periods determined by the Foundation's Board of Directors, who may also restrict the use of funds for capital needs.

A summary of the Foundation's assets and net assets, and changes in net assets (not included in the Authority's statements) for the years ended March 31, 2022 and 2021 are as follows:

	2022	2021
Assets	$ 2,070,165	$ 1,936,228
Net assets	$ 2,070,165	$ 1,936,228

Continued

13. Related Organization, Continued

	2022	2021
Contribution revenues	$ 5,150	$ 329,313
Investment income	100,775	19,765
Change in net unrealized gains and losses on marketable securities	84,460	395,968
Operating expenses	(7,893)	(4,920)
Contributions to Memorial Hospital and Manor	(48,555)	(31,547)
Change in net assets	133,937	708,579
Net assets at beginning of year	1,936,228	1,227,649
Net assets at end of year	$ 2,070,165	$ 1,936,228

14. Decatur County Contributions

The Authority receives 12% of the 1% Special Purpose Local Option Sales Tax (SPLOST) revenue from Decatur County, Georgia annually. These funds are restricted for capital improvements and capital equipment and are used each year by the Authority. The SPLOST program is approved by the county commissioners and citizens of Decatur County every five years. The current SPLOST contract continues through March 31, 2027.

Beginning in calendar year 2015 and continuing for ten years, Decatur County, Georgia has agreed to fund unreimbursed indigent care provided by the Authority. For fiscal years 2022 and 2021, these amounts are reported in operating revenues on the statements of revenues, expenses and changes in net position.

15. Health Care Reform

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

Continued

16. Regulatory Compliance

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the federal level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Authority has implemented a compliance plan focusing on such issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages.

17. Fair Values of Financial Instruments

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

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

- *Current and noncurrent cash and investments:* These assets consist primarily of cash, certificates of deposit, money market accounts and money market mutual funds. The carrying amount reported in the balance sheet approximates fair value.

- *Long-term debt:* The fair value of the Authority's long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Authority's long-term debt at March 31, 2022 and 2021 are as follows:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 8,810,000	$ 9,186,000	$ 13,760,000	$ 14,872,000

Continued

18. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2022 and 2021. Contributions received under the program approximated $2,401,000 and $803,000 during the Authority's fiscal years 2022 and 2021, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

19. Economic Dependency

As discussed in Note 14, the Authority receives significant funding from Decatur County, Georgia tax revenues. In addition, the Authority obtained support from Decatur County and the City of Bainbridge to refinance long-term debt during 2017 through the issuance of revenue certificates. The support from Decatur County and the City of Bainbridge must continue into the future for the Authority to remain financially viable for years to come.

20. Coronavirus (COVID-19)

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

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020, to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position. The Authority received approximately $5,505,000 and $10,469,000 in grant stimulus funding in fiscal year 2022 and 2021, respectively.

Continued

20. Coronavirus (COVID-19), Continued

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

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment. After the first year, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the Authority for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. If the total amount of advance payment has not been recouped during this time-period (a total of 29 months), CMS will issue a letter requiring repayment of any outstanding balance, subject to an interest rate of four percent. In April 2020, the Authority received approximately $2,930,000 in advanced payments. During 2022, the Authority repaid approximately $1,553,000 back to Medicare.

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020, through December 31, 2020, and extended to March 31, 2022, with subsequent legislation. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.

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

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

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

The Board of Directors
Hospital Authority of Bainbridge
Decatur County, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Authority of Bainbridge, Decatur County, Georgia (Authority) (a component unit of Decatur County), which comprise the balance sheet as of March 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Continued

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draffin & Tucker, LLP

Albany, Georgia
August 16, 2022