

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

FINANCIAL STATEMENTS

for the years ended March 31, 2024 and 2023

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
Financial Statements:	
Balance Sheets	8-9
Statements of Revenues, Expenses and Changes in Net Position	10-11
Statements of Cash Flows	12-13
Notes to Financial Statements	14-41



INDEPENDENT AUDITOR'S REPORT

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

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, 2024 and 2023, 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, 2024 and 2023, 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. 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2024 the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Continued

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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.

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 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 judgment of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted 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.

Continued

- 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.

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.

Draffin & Tucker, LLP

Albany, Georgia
September 17, 2024

Management's Discussion and Analysis
For the Year Ending March 31, 2024

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, 2024, 2023, and 2022. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

Memorial Hospital and Manor's (MHM) fiscal year 2024 represented an increase in gross patient revenue when compared to its performance for fiscal year 2023 due mainly to a shift from inpatient volume to outpatient volume as related to a decrease in Covid-related patient care. Overall gross patient revenue was up \$24.7 million or 17.5% while net patient revenue increased \$7.2 million or 15.6%. Total charges related to uncompensated charity and indigent care was approximately \$8.5 million during 2024. However, due to a decrease in overall contributions and other stimulus funding, MHM completed the year with a decrease in net position of \$601,649 from fiscal year 2023. Total expenses for the year increased \$4.9 million or 9.5%.

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

Management's Discussion and Analysis, Continued
For the Year Ending March 31, 2024

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, 2024, 2023, and 2022:

Balance Sheet Data

	<u>2024</u>	Restated <u>2023</u>	<u>2022</u>
Current assets	\$ 26,965,181	\$ 17,573,114	\$ 17,609,761
Capital assets, net	13,590,297	13,266,420	13,876,723
Other non-current assets	<u>7,178,694</u>	<u>12,606,153</u>	<u>15,513,211</u>
Total assets	<u>\$ 47,734,172</u>	<u>\$ 43,445,687</u>	<u>\$ 46,999,695</u>
Current liabilities	\$ 10,779,479	\$ 10,704,062	\$ 19,026,625
Long-term debt	6,680,000	7,410,000	8,120,000
Lease and subscription IT liabilities	<u>71,620</u>	<u>481,939</u>	<u>958,420</u>
Total liabilities	<u>17,531,099</u>	<u>18,596,001</u>	<u>28,105,045</u>
Net position:			
Net investments in capital assets	7,036,037	4,640,899	4,149,324
Restricted	3,344,613	2,985,488	2,826,921
Unrestricted	<u>19,822,423</u>	<u>17,223,299</u>	<u>11,918,405</u>
Total net position	<u>30,203,073</u>	<u>24,849,686</u>	<u>18,894,650</u>
Total liabilities and net position	<u>\$ 47,734,172</u>	<u>\$ 43,445,687</u>	<u>\$ 46,999,695</u>

Current assets increased by approximately \$9.4 million primarily due to an increase in patient accounts receivable created by the stoppage of claims activity with the clearinghouse vendor's data breach in late February of 2024. Current liabilities increased by \$75,417 mostly due to the recognition of CARES Act and ARPA unearned revenue and an increase in accounts payable and accrued liabilities of \$969,125 due the timing of invoices paid in FY2024.

Information presented for the fiscal year ending March 31, 2022 was not restated for the effect of GASB 96.

Continued

Management's Discussion and Analysis, Continued
For the Year Ending March 31, 2024

The following table summarizes the revenues and expenses for the years ended March 31, 2024, 2023, and 2022:

Statement of Revenue and Expense Data

	<u>2024</u>	Restated <u>2023</u>	<u>2022</u>
Operating revenue	\$ <u>57,331,445</u>	\$ <u>48,695,957</u>	\$ <u>49,197,104</u>
Expenses:			
Operating expenses	54,848,243	50,004,397	49,298,196
Depreciation and amortization	<u>1,996,914</u>	<u>1,911,133</u>	<u>1,847,174</u>
Total expenses	<u>56,845,157</u>	<u>51,915,530</u>	<u>51,145,370</u>
Operating income (loss)	486,288	(3,219,573)	(1,948,266)
CARES Act and ARPA funding	1,375,281	5,633,459	3,447,117
Nonoperating revenues	950,153	1,273,731	4,865,249
Rural Hospital Tax Credit	1,729,392	1,442,136	2,401,473
Capital contributions	<u>812,273</u>	<u>825,283</u>	<u>744,353</u>
Change in net position	<u>5,353,387</u>	<u>5,955,036</u>	<u>9,509,926</u>
Net position at beginning of year, as originally reported	24,850,306	18,894,650	9,384,724
Implementation of GASB 96	<u>(620)</u>	<u>-</u>	<u>-</u>
Net position at beginning of year, restated	<u>24,849,686</u>	<u>18,894,650</u>	<u>9,384,724</u>
Net position at end of year, restated	\$ <u>30,203,073</u>	\$ <u>24,849,686</u>	\$ <u>18,894,650</u>

Despite a shift from inpatient volume to outpatient volume as related to a decrease in Covid-related patient care, the Authority recorded an increase in gross patient revenue of \$24.7 million or 17.5% while net patient service revenue increased \$7.2 million or 15.6%. The Authority's provision for bad debt increased by \$2.3 million largely as a result of MHM having a full year under the new presumptive charity policy.

Continued

Management’s Discussion and Analysis, Continued
For the Year Ending March 31, 2024

Total operating expenses increased approximately \$4.9 million or 9.5%. Salaries and wages increased by \$2.6 million or 11.5%. Professional fees and purchased services decreased by \$114,191 or 1.1% due to a decrease in patient account collection fees and the conversion of contract staff to employed staff. Medical supply costs increased by \$1.9 or 17.9% due mainly to the shift in inpatient to outpatient volumes.

Capital Assets and Long-Term Debt

A recap of the Authority’s long-term debt outstanding at March 31, 2024 and 2023 follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Long-Term Debt</u>	
		<u>2024</u>	<u>2023</u>
Revenue Certificates, Series 2017A	2.990%	<u>\$ 7,410,000</u>	<u>\$ 8,120,000</u>
Total long-term debt		<u>\$ 7,410,000</u>	<u>\$ 8,120,000</u>

The Authority’s investment in capital assets for 2024 is summarized in the table below:

<u>Capital Assets</u>	<u>Amount</u>
Computer equipment and software	\$ 692,820
Remodel and upgrade projects	1,098,742
Medical equipment	269,346
Subscription IT assets	<u>134,483</u>
Total	<u>\$ 2,195,391</u>

See Notes 6 and 7 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, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 5,082,004	\$ 4,781,562
Current investments restricted by bond indenture for debt service	730,000	710,000
Short-term investments	5,634,229	-
Patient accounts receivable, net of allowance for doubtful accounts of approximately \$28,500,000 in 2024 and \$15,400,000 in 2023	12,609,619	6,969,515
Other receivables	1,368,372	3,640,859
Inventories, at lower of cost (first-in, first-out) or market	633,468	604,754
Prepaid expenses	542,342	493,358
Estimated third-party payor settlements	<u>365,147</u>	<u>373,066</u>
Total current assets	<u>26,965,181</u>	<u>17,573,114</u>
Noncurrent cash and investments:		
Internally designated for capital improvements	2,375,457	9,149,184
Restricted by insurance carrier for self-insurance	766,843	748,536
Restricted by bond indenture for capital improvements	1,392,400	529,109
Restricted by bond indenture for debt service	1,847,770	1,526,952
Long-term investments	<u>586,612</u>	<u>401,662</u>
Total noncurrent cash and investments	<u>6,969,082</u>	<u>12,355,443</u>
Capital assets:		
Land	777,108	729,484
Construction in progress	1,322,705	94,194
Depreciable capital assets, net of accumulated depreciation	10,984,093	11,449,173
Intangible right-to-use lease assets and subscription IT assets, net accumulated amortization	<u>506,391</u>	<u>993,569</u>
Total capital assets, net	<u>13,590,297</u>	<u>13,266,420</u>
Other assets:		
Notes receivable	<u>209,612</u>	<u>250,710</u>
Total assets	<u>\$ 47,734,172</u>	<u>\$ 43,445,687</u>

Continued

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

BALANCE SHEETS, Continued
March 31, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of long-term debt	\$ 730,000	\$ 710,000
Current portion of lease and subscription IT liabilities	465,040	552,690
Accounts payable	6,326,588	5,357,463
Accrued liabilities	2,257,851	1,708,628
CARES Act and ARPA unearned revenue	<u>1,000,000</u>	<u>2,375,281</u>
Total current liabilities	10,779,479	10,704,062
Long-term debt, excluding current installments	6,680,000	7,410,000
Lease and subscription IT liabilities, excluding current maturities	<u>71,620</u>	<u>481,939</u>
Total liabilities	<u>17,531,099</u>	<u>18,596,001</u>
Net position:		
Net investment in capital assets	7,036,037	4,640,899
Restricted:		
Expendable for self-insurance	766,843	748,536
Expendable for bond indenture	2,577,770	2,236,952
Unrestricted	<u>19,822,423</u>	<u>17,223,299</u>
Total net position	<u>30,203,073</u>	<u>24,849,686</u>
 Total liabilities and net position	 <u>\$ 47,734,172</u>	 <u>\$ 43,445,687</u>

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, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately \$5,600,000 in 2024 and \$3,300,000 in 2023)	\$ 53,125,868	\$ 45,968,261
County contributions for indigent care	2,058,148	1,084,491
Other revenue	<u>2,147,429</u>	<u>1,643,205</u>
Total operating revenues	<u>57,331,445</u>	<u>48,695,957</u>
Operating expenses:		
Salaries and wages	25,535,123	22,906,618
Employee health and welfare	6,895,172	6,424,239
Medical supplies and other	12,246,284	10,387,685
Professional fees	5,487,650	5,189,142
Purchased services	4,684,014	5,096,713
Depreciation and amortization	<u>1,996,914</u>	<u>1,911,133</u>
Total operating expenses	<u>56,845,157</u>	<u>51,915,530</u>
Operating income (loss)	<u>486,288</u>	<u>(3,219,573)</u>
Nonoperating revenues (expenses):		
Investment income	819,541	178,219
Interest expense	(269,576)	(320,880)
Rural hospital tax credit contributions	1,729,392	1,442,136
General contributions and other income	400,188	1,416,392
CARES Act and ARPA funding	<u>1,375,281</u>	<u>5,633,459</u>
Total nonoperating revenues	<u>4,054,826</u>	<u>8,349,326</u>
Excess revenues before contributions	4,541,114	5,129,753
Capital contributions	54,339	73,893
Decatur County contributions from sales tax funds for capital expenditures	<u>757,934</u>	<u>751,390</u>
Increase in net position	<u>5,353,387</u>	<u>5,955,036</u>

Continued

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, Continued
for the years ended March 31, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Net position at beginning of year, as originally reported	\$ 24,850,306	\$ 18,894,650
Implementation of GASB 96	<u>(620)</u>	<u>-</u>
Net position at beginning of year, restated	<u>24,849,686</u>	<u>18,894,650</u>
Net position at end of year, restated	<u>\$ 30,203,073</u>	<u>\$ 24,849,686</u>

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, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 53,971,747	\$ 48,213,874
Repayments of Medicare advance payments	-	(1,377,250)
Payments to vendors and other suppliers	(21,526,521)	(21,568,330)
Payments to employees and related benefits	<u>(31,839,974)</u>	<u>(29,673,111)</u>
Net cash provided (used) by operating activities	<u>605,252</u>	<u>(4,404,817)</u>
Cash flows from noncapital financing activities:		
CARES Act and ARPA funding (repayment)	-	(200,000)
Rural hospital tax credit contributions	1,729,392	1,442,136
Other noncapital contributions	<u>400,737</u>	<u>920,165</u>
Net cash provided by noncapital financing activities	<u>2,130,129</u>	<u>2,162,301</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,195,391)	(1,174,694)
Proceeds on the sale of capital assets	-	122,855
Principal paid on long-term debt (Series 2017A)	(710,000)	(690,000)
Interest paid on long-term debt (Series 2017A)	(232,174)	(258,363)
Payments on lease and subscription IT liabilities	(623,917)	(555,481)
Interest paid on lease and subscription IT liabilities	(37,402)	(62,517)
Donation from Foundation for capital purchases	54,339	73,893
Decatur County sales tax funds	<u>757,934</u>	<u>751,390</u>
Net cash used by capital and related financing activities	<u>(2,986,611)</u>	<u>(1,792,917)</u>
Cash flows from investing activities:		
Investment income	638,523	178,219
Purchase of investments	<u>(5,656,469)</u>	<u>(922)</u>
Net cash provided (used) by investing activities	<u>(5,017,946)</u>	<u>177,297</u>
Net decrease in cash and cash equivalents	(5,269,176)	(3,858,136)
Cash and cash equivalents, beginning of year	<u>16,696,807</u>	<u>20,554,943</u>
Cash and cash equivalents, end of year	<u>\$ 11,427,631</u>	<u>\$ 16,696,807</u>

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, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 5,082,004	\$ 4,781,562
Cash in noncurrent cash and investments	<u>6,345,627</u>	<u>11,915,245</u>
Total cash and cash equivalents	<u>\$ 11,427,631</u>	<u>\$ 16,696,807</u>
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$ 486,288	\$ (3,219,573)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,996,914	1,911,133
Provision for bad debts	5,634,526	3,345,437
Forgiveness of physician receivables	50,346	6,778
Changes in:		
Patient accounts receivable	(11,274,630)	(3,375,925)
Estimated third-party payor settlements	7,919	(323,388)
Inventories	(28,714)	(16,378)
Other current assets	2,223,503	(140,134)
Notes receivable	(9,248)	(8,237)
Accounts payable	969,125	(866,486)
Accrued liabilities	549,223	(340,794)
Medicare advance payments	<u>-</u>	<u>(1,377,250)</u>
Net cash provided (used) by operating activities	<u>\$ 605,252</u>	<u>\$ (4,404,817)</u>

Supplemental disclosures of cash flow information:

- The Authority entered into lease liabilities of approximately \$0 and \$10,000 for new equipment in 2024 and 2023, respectively.
- The Authority entered into subscription IT obligations of approximately \$126,000 and \$144,000 in 2024 and 2023, respectively.
- During fiscal year 2023, the Authority received an unrestricted stock donation with a fair value of approximately \$400,000.
- The Authority held investments at March 31, 2024 and 2023 with a fair value of approximately \$4,559,000 and \$3,170,000, respectively. During 2024 and 2023, the net change in fair value of these investments was an increase of approximately \$1,389,000 and \$570,000, respectively.

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2024 and 2023

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.

Change Healthcare

On February 21, 2024, Change Healthcare, a subsidiary of UnitedHealth Group, reported a cyber security breach. The Authority utilizes Change Healthcare in its revenue cycle process for clearinghouse services, including patient billing and collections related to certain payors. As a result of payment delays associated with the cyber security breach, the Authority experienced significant increases in outstanding patient accounts receivable near the end of fiscal year 2024.

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).

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

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.

Short-term Investments

Short-term investments include certificates of deposit with original maturities of twelve months or less.

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.

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.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

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. Assets costing more than \$2,500 with an estimated useful life of three years or longer are capitalized. All capital assets other than land are depreciated or amortized (in the case of leases and subscription IT assets) using the straight-line method of depreciation using the asset lives listed below. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or the estimated useful life of the underlying IT asset. Equipment under leased assets is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers and furniture	3 to 7 years
Right-to-use lease assets	1 to 5 years
Right-to-use subscription IT asset	1 to 5 years

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.

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 2024 and 2023.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

CARES Act and ARPA Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Provider Relief Fund grants received through the CARES Act and ARPA 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 7. *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.

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.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Charity Care

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

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 Provider Relief Fund grants.

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.

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, 2024 and 2023.

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.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

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.

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 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. GASB 96 is effective for fiscal years beginning after June 15, 2022. The Authority adopted GASB 96 on April 1, 2023 and retroactively implemented the statement effective April 1, 2022. The adoption of the statement resulted in an increase in subscription obligations and related right-to-use subscription assets of approximately \$144,000 as of April 1, 2023.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Accounting Pronouncement Not Yet Adopted

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 updates the recognition, measurement, and disclosure guidance for compensated absences. The Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. GASB 101 is effective for fiscal years beginning after December 15, 2023. The Authority is currently evaluating the impact GASB 101 will have on its financial statements.

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 20% and 19%, respectively, of the Authority's net patient revenue for 2024, and 22% and 26%, respectively, of the Authority's net patient revenue for 2023. 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 RACs 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 based on a patient-driven payment methodology.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

2. Net Patient Service Revenue, Continued

- Medicare, Continued

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, 2021.

- 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, 2021.

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.

During 2022, Medicaid implemented the Supplemental Quality Incentive (SQI) payment program for nursing homes that demonstrate improvement in one of four quality metrics. The nursing home demonstrated improvement in two of the four quality metrics and recognized SQI payments of approximately \$15,000 and \$281,000 in net patient service revenue during 2024 and 2023, respectively.

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

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

federal funds. The net amount of ICTF payments recognized in net patient service revenue was approximately \$2,587,000 and \$2,421,000 for the years ended March 31, 2024 and 2023, 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 \$1,711,000 and \$1,903,000 for the years ended March 31, 2024 and 2023, respectively. For 2024 and 2023, the Authority recorded a receivable for ICTF and UPL funds of approximately \$989,000 and \$1,790,000, respectively.

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 \$829,000 and \$801,000 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, 2024 and 2023, respectively.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately \$1,090,000 and \$1,072,000 for the years ended March 31, 2024 and 2023, 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.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

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 2024 and 2023 were approximately \$112,700,000 and \$95,200,000, respectively.

Uncompensated charges include charity and indigent care services of approximately \$8,500,000 and \$11,100,000 in 2024 and 2023, respectively. The cost of charity and indigent care services provided during 2024 and 2023 was approximately \$2,900,000 and \$4,100,000, respectively, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated charges and a reconciliation of gross patient charges to net patient service revenue for 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Gross patient charges	\$ 165,804,802	\$ 141,125,352
Uncompensated charges:		
Charity and indigent charges	8,546,624	11,143,231
Medicare	46,632,614	39,844,054
Medicaid	24,352,738	21,631,935
Other	27,512,432	19,192,434
Bad debts	<u>5,634,526</u>	<u>3,345,437</u>
Total uncompensated charges	<u>112,678,934</u>	<u>95,157,091</u>
Net patient service revenue	<u>\$ 53,125,868</u>	<u>\$ 45,968,261</u>

4. Deposits and Investments

Deposits and investments (generally carried at fair value) consist of cash, certificates of deposit, money market deposit accounts, money market mutual funds, and exchange traded funds. Certificates of deposit are reported at the amount of the original deposit plus accrued interest, if any, which approximates fair value. 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.

In August of 2021, a stock donation was made to the Authority, but held by the Foundation until May of 2022. At that time, the stock was transferred to the Authority's name. This represents unrestricted long-term investments for the Authority in the amount of \$586,612 and \$401,662 as of March 31, 2024 and 2023, respectively. Long-term investments are stated at fair value using Level 1 inputs within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices in active markets for identical assets.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

4. Deposits and Investments, Continued

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

	<u>2024</u>	<u>2023</u>
Balance sheets:		
Cash	\$ 5,082,004	\$ 4,781,562
Current investments restricted by bond indenture for debt service	730,000	710,000
Short-term investments	5,634,229	-
Noncurrent cash and investments:		
Internally designated for capital improvements	2,375,457	9,149,184
Restricted by insurance carrier for self-insurance	766,843	748,536
Restricted by bond indenture for capital improvements	1,392,400	529,109
Restricted by bond indenture for debt service	1,847,770	1,526,952
Long-term investments	<u>586,612</u>	<u>401,662</u>
Total	<u>\$ 18,415,315</u>	<u>\$ 17,847,005</u>
Deposits and investments consist of the following:		
Deposits with financial institutions	\$ 3,318,758	\$ 4,781,562
Certificates of deposit	6,401,072	748,536
Money market deposit accounts	4,136,467	9,146,948
Money market mutual funds	3,972,406	2,768,297
Exchange traded funds	<u>586,612</u>	<u>401,662</u>
Total deposits and investments	<u>\$ 18,415,315</u>	<u>\$ 17,847,005</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

4. Deposits and Investments, Continued

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:

	<u>2024</u>	<u>2023</u>
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	<u>13,480,053</u>	<u>14,100,573</u>
Total (bank balance)	<u>\$ 14,480,053</u>	<u>\$ 15,100,573</u>
Carrying amount (book balance)	<u>\$ 13,855,652</u>	<u>\$ 14,676,403</u>

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, 2024 and 2023, the Authority owned approximately \$4,559,000 and \$3,170,000, respectively, in investments that were unsecured and held by the Authority's brokerage firm in the Authority's name.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

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, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	<u>2023</u>
<u>Patient Accounts Receivable</u>		
Receivable from patients and their insurance carriers	\$ 21,872,310	\$ 12,842,352
Receivable from Medicare	12,759,938	5,990,748
Receivable from Medicaid	<u>6,484,521</u>	<u>3,529,744</u>
Total patient accounts receivable	41,116,769	22,362,844
Less allowance for uncollectible amounts and contractual adjustments	<u>28,507,150</u>	<u>15,393,329</u>
Patient accounts receivable, net	<u>\$ 12,609,619</u>	<u>\$ 6,969,515</u>
<u>Accounts Payable and Accrued Liabilities</u>		
Payable to employees (including payroll taxes and other benefits)	\$ 1,595,184	\$ 1,233,398
Payable to suppliers	6,326,588	5,357,674
Payable to other	<u>662,667</u>	<u>475,019</u>
Total accounts payable and accrued liabilities	<u>\$ 8,584,439</u>	<u>\$ 7,066,091</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

6. Capital Assets

A summary of capital assets for the years ended March 31, 2024 and 2023 follows:

	Restated 2023 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	2024 <u>Balance</u>
Land	\$ 729,484	\$ 47,624	\$ -	\$ 777,108
Building and improvements	26,693,959	440,235	-	27,134,194
Equipment	21,513,899	470,833	(971,457)	21,013,275
Construction in progress	<u>94,194</u>	<u>1,228,511</u>	<u>-</u>	<u>1,322,705</u>
Total capital assets	<u>49,031,536</u>	<u>2,187,203</u>	<u>(971,457)</u>	<u>50,247,282</u>
Less accumulated depreciation:				
Buildings and improvements	18,946,008	606,759	-	19,552,767
Equipment	<u>17,812,677</u>	<u>768,494</u>	<u>(970,562)</u>	<u>17,610,609</u>
Total accumulated depreciation	<u>36,758,685</u>	<u>1,375,253</u>	<u>(970,562)</u>	<u>37,163,376</u>
Net capital assets	<u>12,272,851</u>	<u>811,950</u>	<u>(895)</u>	<u>13,083,906</u>
Leased equipment	<u>1,858,240</u>	<u>-</u>	<u>(77,470)</u>	<u>1,780,770</u>
Less accumulated amortization:				
Leased equipment	<u>932,221</u>	<u>477,886</u>	<u>(77,470)</u>	<u>1,332,637</u>
Net intangible right-to-use lease assets	<u>926,019</u>	<u>(477,886)</u>	<u>-</u>	<u>448,133</u>
Subscription IT assets	<u>131,555</u>	<u>134,483</u>	<u>(142,246)</u>	<u>123,792</u>
Less accumulated amortization:				
Subscription IT assets	<u>64,005</u>	<u>143,775</u>	<u>(142,246)</u>	<u>65,534</u>
Net intangible right-to-use subscription IT assets	<u>67,550</u>	<u>(9,292)</u>	<u>-</u>	<u>58,258</u>
Total net capital assets	<u>\$ 13,266,420</u>	<u>\$ 324,772</u>	<u>\$ (895)</u>	<u>\$ 13,590,297</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

6. Capital Assets, Continued

	<u>2022</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Restated</u> <u>2023</u> <u>Balance</u>
Land	\$ 729,484	\$ -	\$ -	\$ 729,484
Building and improvements	25,984,057	734,009	(24,107)	26,693,959
Equipment	21,018,698	771,036	(275,835)	21,513,899
Construction in progress	<u>448,160</u>	<u>846,711</u>	<u>(1,200,677)</u>	<u>94,194</u>
Total capital assets	<u>48,180,399</u>	<u>2,351,756</u>	<u>(1,500,619)</u>	<u>49,031,536</u>
Less accumulated depreciation:				
Buildings and improvements	18,385,137	560,871	-	18,946,008
Equipment	<u>17,327,987</u>	<u>772,002</u>	<u>(287,312)</u>	<u>17,812,677</u>
Total accumulated depreciation	<u>35,713,124</u>	<u>1,332,873</u>	<u>(287,312)</u>	<u>36,758,685</u>
Net capital assets	<u>12,467,275</u>	<u>1,018,883</u>	<u>(1,213,307)</u>	<u>12,272,851</u>
Leased equipment	<u>1,848,289</u>	<u>9,951</u>	<u>-</u>	<u>1,858,240</u>
Less accumulated amortization:				
Leased equipment	<u>438,841</u>	<u>493,380</u>	<u>-</u>	<u>932,221</u>
Net intangible right-to-use lease assets	<u>1,409,448</u>	<u>(483,429)</u>	<u>-</u>	<u>926,019</u>
Subscription IT assets	<u>-</u>	<u>152,430</u>	<u>(20,875)</u>	<u>131,555</u>
Less accumulated amortization:				
Subscription IT assets	<u>-</u>	<u>84,880</u>	<u>(20,875)</u>	<u>64,005</u>
Net intangible right-to-use subscription IT assets	<u>-</u>	<u>67,550</u>	<u>-</u>	<u>67,550</u>
Total net capital assets	<u>\$ 13,876,723</u>	<u>\$ 603,004</u>	<u>\$ (1,213,307)</u>	<u>\$ 13,266,420</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

7. Long-Term Debt

A summary of long-term debt at March 31, 2024 and 2023, follows:

	<u>2024</u>	<u>2023</u>
Revenue Certificates - Series 2017A, payable in annual installments ranging from \$730,000 beginning September 1, 2024 to \$925,000 on September 1, 2032, with 2.99% interest paid semi-annually.	<u>\$ 7,410,000</u>	<u>\$ 8,120,000</u>
Total long-term debt	7,410,000	8,120,000
Less current installments of long-term debt	<u>730,000</u>	<u>710,000</u>
Long-term debt, excluding current installments	<u>\$ 6,680,000</u>	<u>\$ 7,410,000</u>

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.

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. In September 2021, the Series 2017B Certificates were paid in full.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

7. Long-Term Debt, Continued

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.

	<u>2023 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024 Balance</u>	<u>Amounts Due Within One Year</u>
Direct borrowings/ placements: Revenue certificates	<u>\$ 8,120,000</u>	<u>\$ -</u>	<u>\$ (710,000)</u>	<u>\$ 7,410,000</u>	<u>\$ 730,000</u>
Total long-term obligations	<u>\$ 8,120,000</u>	<u>\$ -</u>	<u>\$ (710,000)</u>	<u>\$ 7,410,000</u>	<u>\$ 730,000</u>
	<u>2022 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023 Balance</u>	<u>Amounts Due Within One Year</u>
Direct borrowings/ placements: Revenue certificates	<u>\$ 8,810,000</u>	<u>\$ -</u>	<u>\$ (690,000)</u>	<u>\$ 8,120,000</u>	<u>\$ 710,000</u>
Total long-term obligations	<u>\$ 8,810,000</u>	<u>\$ -</u>	<u>\$ (690,000)</u>	<u>\$ 8,120,000</u>	<u>\$ 710,000</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

7. Long-Term Debt, Continued

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

<u>Year Ending March 31:</u>	<u>Revenue Certificates</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 730,000	\$ 210,646
2026	750,000	188,520
2027	775,000	165,721
2028	795,000	142,250
2029	820,000	118,105
2030-2033	<u>3,540,000</u>	<u>215,729</u>
Total	<u>\$ 7,410,000</u>	<u>\$ 1,040,971</u>

8. Leases and Subscription IT Liabilities

The Authority is a lessee for noncancellable lease assets. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

8. Leases and Subscription IT Liabilities, Continued

Lease assets are reported with capital assets and lease liabilities are reported with current and noncurrent liabilities on the balance sheets.

None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

The Authority has subscription-based information technology arrangements (SBITAs). The Authority recognizes a subscription IT liability and an intangible right-to-use subscription asset (subscription IT asset) in its financial statements. At the commencement of the subscription term, which is when the subscription IT asset is placed into service, the Authority initially measures the subscription IT liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, adjusted for payments made at or before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription IT asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Authority uses the implicit interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not readily determinable, the Authority generally uses its estimated incremental borrowing rate as the discount rate. Amortization of the discount on the subscription IT liability is included in interest expense in the financial statements.
- The subscription term includes the noncancellable period. Subscription payments included in the measurement of the subscription IT liability are composed of fixed payments and other payments that are reasonably certain of being required.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

8. Leases and Subscription IT Liabilities, Continued

The Authority monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the subscription IT asset and subscription IT liability if certain changes occur that are expected to significantly affect the amount of the subscription IT liability.

Subscription IT assets are reported with capital assets and subscription IT liabilities are reported with current and noncurrent liabilities on the balance sheets.

None of the SBITAs contain provisions for variable payments. Additionally, there are no other payments, such as termination penalties, not previously included in the measurement of the subscription IT liability.

Expenses for the leasing activity of the Authority as the lessee for the years ended March 31, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Short-term lease expense	\$ 726,546	\$ 390,227
Right-to-use lease asset amortization	477,886	493,380
Lease liability interest expense	<u>40,104</u>	<u>59,848</u>
Total lease cost	<u>\$ 1,244,536</u>	<u>\$ 943,455</u>

The Authority has subscription-based information technology arrangements (SBITAs) that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles.

Expenses for the SBITA activity of the Authority for the years ended March 31, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Short-term SBITA expense	\$ 283,353	\$ 387,492
Right-to-use subscription IT asset amortization	143,775	84,880
Subscription IT liability interest expense	<u>3,637</u>	<u>2,669</u>
Total subscription IT cost	<u>\$ 430,765</u>	<u>\$ 475,041</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

8. Leases and Subscription IT Liabilities, Continued

A schedule of changes in the Authority's lease and subscription IT liabilities follows:

	Restated 2023 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	2024 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Lease liabilities	\$ 966,670	\$ -	\$ (488,765)	\$ 477,905	\$ 409,098
Subscription IT liabilities	<u>67,959</u>	<u>125,948</u>	<u>(135,152)</u>	<u>58,755</u>	<u>55,942</u>
Total lease and subscription IT liabilities	<u>\$ 1,034,629</u>	<u>\$ 125,948</u>	<u>\$ (623,917)</u>	<u>\$ 536,660</u>	<u>\$ 465,040</u>

	2022 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Restated 2023 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Lease liabilities	\$ 1,435,894	\$ 9,950	\$ (479,174)	\$ 966,670	\$ 487,071
Subscription IT liabilities	<u>-</u>	<u>144,266</u>	<u>(76,307)</u>	<u>67,959</u>	<u>65,619</u>
Total lease and subscription IT liabilities	<u>\$ 1,435,894</u>	<u>\$ 154,216</u>	<u>\$ (555,481)</u>	<u>\$ 1,034,629</u>	<u>\$ 552,690</u>

Scheduled principal and interest repayments on lease and subscription IT liabilities are as follows:

Year Ending <u>March 31,</u>	<u>Subscription IT Liabilities</u>		<u>Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 55,942	\$ 1,081	\$ 409,098	\$ 13,688
2026	2,372	82	66,196	672
2027	441	5	2,076	83
2028	<u>-</u>	<u>-</u>	<u>535</u>	<u>5</u>
Total	<u>\$ 58,755</u>	<u>\$ 1,168</u>	<u>\$ 477,905</u>	<u>\$ 14,448</u>

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

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, 2024 and 2023, the Authority contributed approximately \$126,000 and \$117,000 in discretionary funds, respectively. The Authority had no liability outstanding related to the Plan at March 31, 2024 or 2023.

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, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	35%	30%
Medicaid	13%	14%
Third-party payors	36%	34%
Self-pay patients	<u>16%</u>	<u>22%</u>
Total	<u>100%</u>	<u>100%</u>

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 \$4,753,000 and \$4,466,000 including administrative fees during the years ended March 31, 2024 and 2023, respectively.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

11. Self-Insurance, Continued

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, 2024 and 2023. 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.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

13. Related Organization, Continued

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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Assets	\$ 1,714,487	\$ 1,506,468
Net assets	\$ 1,714,487	\$ 1,506,468
	<u>2024</u>	<u>2023</u>
Special events revenues	\$ 24,700	\$ -
Contribution revenues	25,000	30,000
Investment income	46,612	120,239
Change in net unrealized gains and losses on marketable securities	177,628	(248,981)
Special events expenses	(4,885)	-
Operating expenses	(6,697)	(6,892)
Contributions to Memorial Hospital and Manor	<u>(54,339)</u>	<u>(458,063)</u>
Change in net assets	208,019	(563,697)
Net assets at beginning of year	<u>1,506,468</u>	<u>2,070,165</u>
Net assets at end of year	<u>\$ 1,714,487</u>	<u>\$ 1,506,468</u>

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 2024 and 2023, these amounts are reported in operating revenues on the statements of revenues, expenses and changes in net position.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

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.

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, CARES Act and ARPA 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, money market mutual funds, and exchange traded 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.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

17. Fair Values of Financial Instruments, Continued

The carrying amounts and fair values of the Authority's long-term debt at March 31, 2024 and 2023 are as follows:

	2024		2023	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 7,410,000	\$ 7,565,535	\$ 8,120,000	\$ 8,418,000

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 2024 and 2023. Contributions received under the program approximated \$1,729,000 and \$1,442,000 during the Authority's fiscal years 2024 and 2023, 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. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

20. Coronavirus (COVID-19), Continued

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. On March 11, 2021, the *American Rescue Plan Act* (ARPA) was passed. This Act provides additional funding to replenish and supplement key programs, including funds to hospitals and other providers that serve patients living in rural areas. 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 did not receive any grant stimulus funding in fiscal year 2024 or 2023. During 2023, the Authority repaid \$200,000 of unused grant stimulus funding.

Grant 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. The Authority repaid approximately \$1,377,000 back to Medicare in fiscal year 2023. There is no outstanding liability as of March 31, 2023.

Continued

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

NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2024 and 2023

20. Coronavirus (COVID-19), Continued

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%.