

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

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FINANCIAL STATEMENTS

for the years ended April 30, 2024 and 2023



HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

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FINANCIAL STATEMENTS

for the years ended April 30, 2024 and 2023

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Hospital Authority of Wilkes County, Georgia  
Washington, Georgia

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the Hospital Authority of Wilkes County, Georgia (Authority) which comprise the balance sheets as of April 30, 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 Hospital Authority of Wilkes County, Georgia as of April 30, 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 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.

#### ***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

## ***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 judgment 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 8 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 28, 2024, 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 28, 2024





## WILLS MEMORIAL HOSPITAL

### **Management's Discussion and Analysis For the Year Ending April 30, 2024**

Our discussion and analysis of Hospital Authority of Wilkes County, Georgia's (Authority's) financial performance provides an overview of the Authority's financial activities for the fiscal years ended April 30, 2024, 2023, and 2022. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

### **FINANCIAL HIGHLIGHTS**

- The Authority's net position increased in 2024 by \$808,000 (9%), in 2023 by \$2,047,000 (29%), and in 2022 by \$2,496,000 (54%).
- The Authority reported an operating loss of \$1,055,000 in 2024, operating loss of \$817,000 in 2023, and operating gain \$170,000 in 2022.
- Cash and cash equivalents increased by \$688,000 (14%) in 2024, decreased by \$1,393,000 (22%) in 2023, and increased by \$343,000 (6%) in 2022.

### **USING THIS ANNUAL REPORT**

The Authority's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority.

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

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 assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses 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 services 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  
For the Year Ending April 30, 2024**

**The Statement of Cash Flows**

The final required statement is the statement of cash flows. This 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 was 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 sheets on pages 9 and 10. The Authority's net position has continued to increase from 2023 through 2024 as reflected in Table 1 below.

**Table 1: Assets, Liabilities and Net Position**

	<u>2024</u>	Restated <u>2023</u>	<u>2022</u>
<b>Assets:</b>			
Current assets	\$ 8,815,000	\$ 8,691,000	\$ 8,677,000
Noncurrent cash and investments	1,861,000	1,695,000	1,691,000
Capital assets, net	<u>13,812,000</u>	<u>10,811,000</u>	<u>9,884,000</u>
 Total assets	 <u>\$ 24,488,000</u>	 <u>\$ 21,197,000</u>	 <u>\$ 20,252,000</u>
<b>Liabilities:</b>			
Current liabilities	\$ 2,295,000	\$ 2,404,000	\$ 3,098,000
Long-term liabilities	<u>12,235,000</u>	<u>9,643,000</u>	<u>10,051,000</u>
 Total liabilities	 <u>14,530,000</u>	 <u>12,047,000</u>	 <u>13,149,000</u>
<b>Net position:</b>			
Net investment in capital assets	534,000	331,000	(782,000)
Restricted	1,861,000	1,695,000	1,691,000
Unrestricted	<u>7,563,000</u>	<u>7,124,000</u>	<u>6,194,000</u>
 Total net position	 <u>9,958,000</u>	 <u>9,150,000</u>	 <u>7,103,000</u>
 Total liabilities and net position	 <u>\$ 24,488,000</u>	 <u>\$ 21,197,000</u>	 <u>\$ 20,252,000</u>

The information presented for the fiscal year ending April 30, 2022 was not restated for the effect of GASB 96.

Continued



## Management's Discussion and Analysis For the Year Ending April 30, 2024

Current assets increased primarily due to an increase in cash related to an increase in daily operations and patient volume.

The Authority's noncurrent cash and investments are funds held by Huntington National Bank, restricted by bond requirements. Capital assets increased \$3,001,000 due to the following activity:

### Additions:

Building Improvements	\$ 585,000
Major Moveable Equipment	166,000
Leases and Subscription IT Assets	<u>3,948,000</u>

Total additions	4,699,000
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<b>Depreciation and amortization</b>	<u>(1,698,000)</u>
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Total change in capital assets	<u>\$ 3,001,000</u>
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A recap of the Authority's long-term debt outstanding at April 30, 2024 and 2023 follows:

Description	Interest Rates	Long-Term Debt	
		<u>2024</u>	<u>2023</u>
HUD loan	2.95%	<u>\$ 9,023,000</u>	<u>\$ 9,593,000</u>
Total long-term debt		<u>\$ 9,023,000</u>	<u>\$ 9,593,000</u>

See Notes 7 and 8 to the financial statements for additional information about the capital assets and debt of the Authority.

Continued

**Management's Discussion and Analysis  
For the Year Ending April 30, 2024**

**OPERATING RESULTS AND CHANGES IN THE AUTHORITY'S NET POSITION**

In 2024, the Authority's net position increased as shown in Table 2. This increase is made up of different components described on the following pages.

	<u>2024</u>	Restated <u>2023</u>	<u>2022</u>
<b>Operating revenues:</b>			
Net patient service revenue	\$ 14,452,000	\$ 14,895,000	\$ 14,002,000
Other revenue	<u>1,745,000</u>	<u>1,825,000</u>	<u>1,680,000</u>
Total operating revenues	<u>16,197,000</u>	<u>16,720,000</u>	<u>15,682,000</u>
<b>Operating expenses:</b>			
Salaries, wages and employee benefits	10,077,000	9,852,000	8,993,000
Purchased services and physician fees	2,887,000	3,131,000	2,484,000
Medical supplies and drugs	886,000	1,122,000	896,000
Depreciation and amortization	1,698,000	1,299,000	1,047,000
Other expenses	<u>1,704,000</u>	<u>2,133,000</u>	<u>2,092,000</u>
Total operating expenses	<u>17,252,000</u>	<u>17,537,000</u>	<u>15,512,000</u>
Operating income (loss)	<u>(1,055,000)</u>	<u>(817,000)</u>	<u>170,000</u>
<b>Nonoperating revenues (expenses):</b>			
Investment income	284,000	26,000	21,000
Interest expense	(442,000)	(339,000)	(680,000)
Noncapital grants, contributions and other	1,008,000	1,179,000	1,958,000
Grant stimulus funding	73,000	1,503,000	1,027,000
Gain on sale of assets	<u>22,000</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues	<u>945,000</u>	<u>2,369,000</u>	<u>2,326,000</u>

Continued

**Management's Discussion and Analysis  
For the Year Ending April 30, 2024**

**Table 2: Operating Results and Changes in Net Position, Continued**

	<u>2024</u>	Restated <u>2023</u>	<u>2022</u>
Excess revenues before capital contributions	\$ (110,000)	\$ 1,552,000	\$ 2,496,000
Capital contributions	<u>918,000</u>	<u>495,000</u>	<u>-</u>
Increase in net position	808,000	2,047,000	2,496,000
<b>Net position, beginning of year</b>	<u>9,150,000</u>	<u>7,103,000</u>	<u>4,607,000</u>
<b>Net position, end of year</b>	<u>\$ 9,958,000</u>	<u>\$ 9,150,000</u>	<u>\$ 7,103,000</u>

**Operating Income or Loss**

The first component of the overall change in the Authority's net position is its operating income - generally the difference between net patient service revenue and the expenses incurred to perform those services.

The Authority had an operating loss in 2024 and 2023, and had an operating income in 2022. The change in operating income (loss) was a decrease of \$238,000 which is 29% from 2023. The Authority's net position increased in 2024 by \$808,000 from 2023 primarily due to grants and contributions.

The Authority's operating expenses also decreased \$285,000.

**CORONAVIRUS**

During fiscal years 2024, 2023, 2022, 2021, and 2020, the Authority was impacted by the COVID-19 pandemic. As a result, the Authority experienced additional financial hardship but received relief funding from the state and federal government. See Note 15 for further information.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Authority's management at Wills Memorial Hospital, 120 Gordon Street, Washington, Georgia 30673.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Balance Sheets  
April 30, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,632,000	\$ 4,944,000
Patient accounts receivable, net of estimated uncollectibles of \$1,533,000 in 2024 and \$1,948,000 in 2023	1,423,000	1,331,000
Estimated third-party payor settlements	694,000	806,000
Supplies	217,000	231,000
Other current assets	<u>849,000</u>	<u>1,379,000</u>
Total current assets	<u>8,815,000</u>	<u>8,691,000</u>
Noncurrent cash and investments:		
Held by trustee under indenture agreement	<u>1,861,000</u>	<u>1,695,000</u>
Capital assets:		
Land	68,000	68,000
Depreciable, net of accumulated depreciation	9,567,000	9,837,000
Intangible right-to-use lease assets and subscription IT assets, net of accumulated amortization	<u>4,177,000</u>	<u>906,000</u>
Total capital assets, net	<u>13,812,000</u>	<u>10,811,000</u>
Total assets	<u>\$ 24,488,000</u>	<u>\$ 21,197,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Balance Sheets, Continued  
April 30, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ 587,000	\$ 570,000
Current maturities of lease and subscription IT liabilities	456,000	267,000
Accounts payable	340,000	421,000
Accrued expenses	<u>912,000</u>	<u>1,146,000</u>
Total current liabilities	2,295,000	2,404,000
Long-term debt, net of current maturities	8,436,000	9,023,000
Lease and subscription IT liabilities, net of current maturities	<u>3,799,000</u>	<u>620,000</u>
Total liabilities	<u>14,530,000</u>	<u>12,047,000</u>
Net position:		
Net investment in capital assets	534,000	331,000
Restricted	1,861,000	1,695,000
Unrestricted	<u>7,563,000</u>	<u>7,124,000</u>
Total net position	<u>9,958,000</u>	<u>9,150,000</u>
Total liabilities and net position	<u>\$ 24,488,000</u>	<u>\$ 21,197,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended April 30, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$1,498,000 in 2024 and \$913,000 in 2023)	\$ 14,452,000	\$ 14,895,000
Other revenue	<u>1,745,000</u>	<u>1,825,000</u>
Total operating revenues	<u>16,197,000</u>	<u>16,720,000</u>
Operating expenses:		
Salaries and wages	8,290,000	8,185,000
Employee benefits	1,787,000	1,667,000
Physician fees	592,000	599,000
Medical supplies and drugs	886,000	1,122,000
Purchased services	2,295,000	2,532,000
Repairs and maintenance	459,000	462,000
Utilities and communications	481,000	468,000
Insurance	221,000	217,000
Other operating expenses	543,000	986,000
Depreciation and amortization	<u>1,698,000</u>	<u>1,299,000</u>
Total operating expenses	<u>17,252,000</u>	<u>17,537,000</u>
Operating loss	<u>(1,055,000)</u>	<u>(817,000)</u>
Nonoperating revenues (expenses):		
Investment income	284,000	26,000
Interest expense	(442,000)	(339,000)
Noncapital grants, contributions and other	1,008,000	1,179,000
Grant stimulus funding	73,000	1,503,000
Gain on sale of assets	<u>22,000</u>	<u>-</u>
Total nonoperating revenues	<u>945,000</u>	<u>2,369,000</u>
Excess revenues (expenses) before capital contributions	(110,000)	1,552,000
Capital contributions	<u>918,000</u>	<u>495,000</u>
Increase in net position	<u>808,000</u>	<u>2,047,000</u>
Net position, beginning of year, as originally reported	9,116,000	7,103,000
Implementation of GASB 96	<u>34,000</u>	<u>-</u>
Net position, beginning of year, restated	<u>9,150,000</u>	<u>7,103,000</u>
Net position, end of year, restated	<u>\$ 9,958,000</u>	<u>\$ 9,150,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Statements of Cash Flows  
Years Ended April 30, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 16,661,000	\$ 15,561,000
Payments to suppliers and contractors	(5,458,000)	(6,772,000)
Payments to employees	<u>(10,311,000)</u>	<u>(9,763,000)</u>
Net cash provided (used) by operating activities	<u>892,000</u>	<u>(974,000)</u>
Cash flows from noncapital financing activities:		
Noncapital grants, contributions and other	1,008,000	1,179,000
Grant stimulus funding	<u>73,000</u>	<u>634,000</u>
Net cash provided by noncapital financing activities	<u>1,081,000</u>	<u>1,813,000</u>
Cash flows from capital and related financing activities:		
Principal paid on debt	(570,000)	(554,000)
Interest paid on debt	(275,000)	(298,000)
Principal paid on lease and subscription IT liabilities	(580,000)	(358,000)
Interest paid on lease and subscription IT liabilities	(167,000)	(39,000)
Capital contributions	918,000	495,000
Purchase of capital assets	(751,000)	(1,500,000)
Proceeds from sale of capital assets	<u>22,000</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,403,000)</u>	<u>(2,254,000)</u>
Cash flows from investing activities:		
Investment income	<u>284,000</u>	<u>26,000</u>
Net cash provided by investing activities	<u>284,000</u>	<u>26,000</u>
Net increase (decrease) in cash and cash equivalents	854,000	(1,389,000)
Cash and cash equivalents, beginning of year	<u>6,639,000</u>	<u>8,028,000</u>
Cash and cash equivalents, end of year	<u>\$ 7,493,000</u>	<u>\$ 6,639,000</u>

Continued



HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Statements of Cash Flows, Continued  
Years Ended April 30, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 5,632,000	\$ 4,944,000
Held by trustee under indenture	<u>1,861,000</u>	<u>1,695,000</u>
Total cash and cash equivalents	<u>\$ 7,493,000</u>	<u>\$ 6,639,000</u>
Reconciliation of operating loss to net cash flows provided (used) by operating activities:		
Operating loss	\$ (1,055,000)	\$ (817,000)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,698,000	1,299,000
Provision for bad debts	1,498,000	913,000
Changes in:		
Patient accounts receivable	(1,590,000)	(967,000)
Supplies	14,000	(29,000)
Estimated third-party payor settlements	112,000	(707,000)
Other current assets	530,000	(617,000)
Accounts payable	(81,000)	(138,000)
Accrued expenses	<u>(234,000)</u>	<u>89,000</u>
Net cash provided (used) by operating activities	<u>\$ 892,000</u>	<u>\$ (974,000)</u>

Supplemental disclosure of cash flow information:

The Authority entered into lease obligations of approximately \$0 and \$131,000 for new equipment in 2024 and 2023, respectively.

The Authority entered into subscription IT obligations of approximately \$3,907,000 and \$595,000 in 2024 and 2023, respectively.

See accompanying notes to financial statements.

# HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

## NOTES TO FINANCIAL STATEMENTS

Years Ended April 30, 2024 and 2023

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### 1. Description of Reporting Entity and Summary of Significant Accounting Policies

#### Reporting Entity

The Hospital Authority of Wilkes County, Georgia (Authority), is a public corporation that operates Wills Memorial Hospital, a 25-bed acute care hospital, and rural health clinics located in Washington and Lincolnton, Georgia. The Authority provides inpatient, outpatient and emergency care service for residents of Wilkes County, Georgia and the surrounding area. Admitting physicians are primarily practitioners in the local area.

#### 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 certain investments in highly liquid debt instruments with an original maturity of three months or less.

#### Allowance for Doubtful Accounts

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

#### Supplies

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

#### Noncurrent Cash and Investments

Noncurrent cash and investments include assets held by trustees under indenture agreements. Assets consist of cash and money market accounts.

Continued

# HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

## NOTES TO FINANCIAL STATEMENTS, Continued Years Ended April 30, 2024 and 2023

### 1. Description of Reporting Entity and 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 \$5,000 with an estimated useful life of more than one year are capitalized. The estimated useful life is assigned using AHA Useful Lives Guidelines 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. 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 these asset lives:

Land improvements	2 to 25 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years
Right-to-use lease assets	1 to 5 years
Right-to-use subscription IT assets	1 to 5 years

#### 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.

#### Financing Cost

Costs related to the issuance of long-term debt are expensed in the period in which they are incurred.

#### 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 April 30, 2024 and 2023.

#### Compensated Absences

The Authority's employees earn paid time off (PTO) at varying rates depending on years of service. PTO time accumulates to a maximum of 320 hours. Employees who retire or resign in good standing may request payment for up to 75% of their PTOs. The estimated amount of PTOs payable as separation payments is reported as a current liability in both 2024 and 2023.

Continued

# HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

## NOTES TO FINANCIAL STATEMENTS, Continued Years Ended April 30, 2024 and 2023

### 1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

#### 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* are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 8. *Unrestricted net position* is the remaining net amount of assets less remaining liabilities that do not meet the definition of *net investment in capital assets* or *restricted net position*.

#### Restricted Resources

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

#### 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 arrangements 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 WILKES COUNTY, GEORGIA

## NOTES TO FINANCIAL STATEMENTS, Continued Years Ended April 30, 2024 and 2023

### 1. Description of Reporting Entity and 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.

#### 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 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 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.

#### Grants and Contributions

The Authority occasionally receives grants from the Board of Commissioners of Wilkes County, Georgia, 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 15 for additional information for grant stimulus funding.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

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.

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; and employee health, 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, see Note 11. See Note 12 for additional information related to the Authority's general and professional coverage.

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 May 1, 2023 and retroactively implemented the statement effective May 1, 2022. The adoption of the statement resulted in an increase in subscription obligations and related right-to-use subscription assets of approximately \$595,000 as of May 1, 2022.

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.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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

- Medicare

Effective May 1, 2002, the Authority was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through April 30, 2022.

- Medicaid

Inpatient acute care services rendered to Medicaid 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. Certain outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Authority is reimbursed for cost reimbursable items 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 April 30, 2021.

The Authority has also entered into contracts with certain care management organizations (CMOs) to receive reimbursements 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.

Continued



HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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2. Net Patient Service Revenue, Continued

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 \$571,000 and \$510,000 for the years ending April 30, 2024 and 2023, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to 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 \$76,000 and \$52,000 for the years ended April 30, 2024 and 2023, respectively.

- Other Arrangements

The Authority also has 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.

Revenue from the Medicare and Medicaid programs accounted for approximately 20% and 7%, respectively, of the Authority's net patient service revenue for 2024 and 21% and 10%, respectively, of the Authority's net patient service 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. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The 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. There were no accruals relating to RAC audits for 2024 or 2023.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

3. Charity Care

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2024 and 2023 were approximately \$7,286,000 and \$7,590,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$418,000 and \$453,000 in 2024 and 2023, respectively. The cost of charity and indigent care services provided during 2024 and 2023 was approximately \$332,000 and \$353,000, respectively, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services 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	\$ 21,738,000	\$ 22,485,000
Uncompensated services:		
Indigent and charity care	418,000	453,000
Medicare	2,434,000	3,385,000
Medicaid	1,491,000	1,603,000
Other allowances	1,445,000	1,236,000
Bad debts	<u>1,498,000</u>	<u>913,000</u>
Total uncompensated care	<u>7,286,000</u>	<u>7,590,000</u>
Net patient service revenue	<u>\$ 14,452,000</u>	<u>\$ 14,895,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

4. Bank Deposits and Investments

Deposits and Investments

The Authority's investments are generally carried at fair value. Deposits and investments as of April 30, 2024 and 2023 are classified in the accompanying financial statements as follows:

Money market mutual funds 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.

	<u>2024</u>	<u>2023</u>
Balance sheets:		
Cash and cash equivalents	\$ 5,632,000	\$ 4,944,000
Noncurrent cash and investments	<u>1,861,000</u>	<u>1,695,000</u>
Total cash and investments	<u>\$ 7,493,000</u>	<u>\$ 6,639,000</u>
Deposits and investments consist of the following:		
Deposits	\$ 1,507,000	\$ 1,404,000
Money market deposit accounts	4,125,000	5,235,000
Money market mutual fund	<u>1,861,000</u>	<u>-</u>
Total deposits and investments	<u>\$ 7,493,000</u>	<u>\$ 6,639,000</u>

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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 Authority's third-party agent or the pledging financial institution's trust department in the name of the Authority. The Authority's bank deposits on April 30, 2024 and 2023 are entirely insured or collateralized with securities held by the pledging financial institution's designated trustee in the Authority's name.

Disclosures Relating to Interest Rate Risk

The Authority manages its exposure to declines in fair values from rising interest rates by investing in debt securities with short to intermediate maturities. The weighted average maturity presented below is calculated based on the maturity date of the security.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

4. Bank Deposits and Investments, Continued

As of April 30, 2024 and 2023, the Authority had the following investments in debt securities and weighted average maturities:

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Weighted Average Maturity (In Days)</u>	<u>Amount</u>	<u>Weighted Average Maturity (In Days)</u>
Debt securities:				
Money market mutual fund	<u>\$ 1,861,000</u>	<u>45</u>	<u>\$ -</u>	<u>-</u>
Total	<u>\$ 1,861,000</u>	<u>45</u>	<u>\$ -</u>	<u>-</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

As of April 30, 2024 and 2023, the Authority's investments in debt securities had the following ratings:

	<u>Rating As Of April 30, 2024</u>				
	<u>Amount</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Debt securities:					
Money market mutual fund	<u>\$ 1,861,000</u>	<u>\$ 1,861,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total debt securities	<u>\$ 1,861,000</u>	<u>\$ 1,861,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Rating As Of April 30, 2023</u>				
	<u>Amount</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Debt securities:					
Money market mutual fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total debt securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority on April 30, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	<u>2023</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 1,344,000	\$ 1,340,000
Receivable from Medicare	1,319,000	1,473,000
Receivable from Medicaid	<u>293,000</u>	<u>466,000</u>
Total gross patient accounts receivable	2,956,000	3,279,000
Less allowance for uncollectible amounts and contractual adjustments	<u>1,533,000</u>	<u>1,948,000</u>
Patient accounts receivable, net	<u>\$ 1,423,000</u>	<u>\$ 1,331,000</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 791,000	\$ 842,000
Payable to suppliers	447,000	723,000
Other	<u>14,000</u>	<u>2,000</u>
Total accounts payable and accrued expenses	<u>\$ 1,252,000</u>	<u>\$ 1,567,000</u>

6. Concentration 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 arrangements. The mix of receivables from patients and third-party payors on April 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Medicare	45%	45%
Medicaid	10%	14%
Other third-party payors	9%	9%
Patients	<u>36%</u>	<u>32%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

7. Capital Assets

Capital asset changes for the years ended April 30, 2024 and 2023 are as follows:

	Restated Balance April 30, 2023	Additions	Retirements	Transfers	Balance April 30, 2024
Land	\$ 68,000	\$ -	\$ -	\$ -	\$ 68,000
Land improvements	865,000	-	-	-	865,000
Buildings and improvements	16,205,000	585,000	-	-	16,790,000
Equipment	4,898,000	166,000	377,000	-	4,687,000
Total depreciable capital assets	21,968,000	751,000	377,000	-	22,342,000
Less accumulated depreciation for:					
Land improvements	371,000	46,000	-	-	417,000
Buildings and improvements	8,532,000	585,000	-	-	9,117,000
Equipment	3,228,000	390,000	377,000	-	3,241,000
Total accumulated depreciation	12,131,000	1,021,000	377,000	-	12,775,000
Total depreciable capital assets, net	9,837,000	(270,000)	-	-	9,567,000
Lease equipment	709,000	-	-	-	709,000
Less accumulated amortization for:					
Lease equipment	146,000	78,000	-	-	224,000
Intangible right-to-use lease assets, net	563,000	(78,000)	-	-	485,000
Subscription IT assets	595,000	3,948,000	398,000	-	4,145,000
Less accumulated amortization for subscription IT assets	252,000	599,000	398,000	-	453,000
Intangible right-to-use subscription IT assets, net	343,000	3,349,000	-	-	3,692,000
Capital assets, net	\$ 10,811,000	\$ 3,001,000	\$ -	\$ -	\$ 13,812,000

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

7. Capital Assets, Continued

	Restated Balance April 30, 2022	Additions	Retirements	Transfers	Restated Balance April 30, 2023
Land	\$ 68,000	\$ -	\$ -	\$ -	\$ 68,000
Land improvements	679,000	188,000	2,000	-	865,000
Buildings and improvements	15,351,000	1,111,000	257,000	-	16,205,000
Equipment	5,563,000	201,000	866,000	-	4,898,000
Total depreciable capital assets	21,593,000	1,500,000	1,125,000	-	21,968,000
Less accumulated depreciation for:					
Land improvements	329,000	44,000	2,000	-	371,000
Buildings and improvements	8,229,000	560,000	257,000	-	8,532,000
Equipment	3,731,000	363,000	866,000	-	3,228,000
Total accumulated depreciation	12,289,000	967,000	1,125,000	-	12,131,000
Total depreciable capital assets, net	9,304,000	533,000	-	-	9,837,000
Lease equipment	578,000	131,000	-	-	709,000
Less accumulated amortization for:					
Lease equipment	66,000	80,000	-	-	146,000
Intangible right-to-use lease assets, net	512,000	51,000	-	-	563,000
Subscription IT assets	595,000	-	-	-	595,000
Less accumulated amortization for subscription IT assets	-	252,000	-	-	252,000
Intangible right-to-use subscription IT assets, net	595,000	(252,000)	-	-	343,000
Capital assets, net	\$ 10,479,000	\$ 332,000	\$ -	\$ -	\$ 10,811,000

Continued



HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

8. Long-Term Debt

A schedule of changes in the Authority's long-term debt for fiscal years 2024 and 2023 follows:

	Balance April 30, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance April 30, <u>2024</u>	Amounts Due Within <u>One Year</u>
Direct borrowing:					
Notes payable	\$ <u>9,593,000</u>	\$ <u>-</u>	\$ <u>570,000</u>	\$ <u>9,023,000</u>	\$ <u>587,000</u>
Total long-term debt	\$ <u>9,593,000</u>	\$ <u>-</u>	\$ <u>570,000</u>	\$ <u>9,023,000</u>	\$ <u>587,000</u>
	Balance April 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance April 30, <u>2023</u>	Amounts Due Within <u>One Year</u>
Direct borrowing:					
Notes payable	\$ <u>10,147,000</u>	\$ <u>-</u>	\$ <u>554,000</u>	\$ <u>9,593,000</u>	\$ <u>570,000</u>
Total long-term debt	\$ <u>10,147,000</u>	\$ <u>-</u>	\$ <u>554,000</u>	\$ <u>9,593,000</u>	\$ <u>570,000</u>

The terms and due dates of the Authority's long-term debt for 2024 and 2023, follows:

Taxable Revenue Build America Bonds - Series 2009A, for \$12,410,000, with an interest rate of 7.2%. These bonds were issued for the purpose of providing funds for the demolition, acquisition, construction and equipping of certain healthcare facilities. These are payable in monthly installments ranging from \$27,000 in May 2020 to \$95,000 in February 2037.

The Bonds are secured under the Indenture by (a) all right, title and interest of the Issuer in and to all revenues together with all other revenues received by the Trustee for the account of the Issuer arising out or on account of the Trust Estate; (b) all right, title and interest of the Issuer in and to the Government National Mortgage Association (GNMA) Securities, profits or other income derived from the investment thereof; and (c) all funds, monies and securities and any and all other rights and interests in property whether tangible or intangible.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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8. Long-Term Debt, Continued

In connection with the 2009A bond issue, the Federal Housing Administration (FHA) issued a commitment dated August 5, 2009, which will be assigned to the FHA approved lender Red Mortgage Capital, Inc. (Red Capital) for a mortgage in the full amount of the 2009A bonds. The proceeds from the bond issue were used to acquire GNMA securities from Red Capital which are securitizations of the mortgage loan to the Authority. The 2009A Build America Bonds include an agreed upon rebate of 35% of all interest paid. There were no amounts refunded in 2024 and 2023.

Under the terms of the 2009A Series Revenue Certificates, the Authority is required to not have a loss from operations equal to or greater than 1% of the total operating revenue. The Authority did not meet the requirement of this covenant during fiscal years 2024 and 2023. The Authority must also maintain an excess of revenues over expenses. The Authority did not meet this requirement during fiscal year 2024 and did meet this requirement during fiscal year 2023.

In the event these requirements are not met, the Authority must submit a correction report to HUD within sixty days of the date of the audited financial statements. This report must include what measures are being taken to improve the Authority's operations and financial performance.

Also, under the terms of the 2009A Series Revenue Certificates, the Authority is required to make monthly payments to the mortgage reserve fund in accordance with a payment schedule set forth by the original bond documents. The Authority was in compliance with this schedule during fiscal year 2024 and 2023.

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

The Authority signed an agreement in August 2021 to work with Lument Capital, as an FHA lender, to submit an Interest Rate Reduction application to the U.S. Department of Housing and Urban Development for approval to modify the interest rate.

On December 22, 2021, the Authority received loan proceeds in the amount of \$10,558,956 to refund the Taxable Revenue Build America Bonds - Series 2009A in their entirety. The loan accrues interest at a rate of 2.95%. The principal and interest are payable monthly with a final maturity date of February 1, 2037. The note is endorsed for insurance by HUD pursuant to Section 242 of the National Housing Act. The same reserve fund requirements and provision in the event of default are still in effect for the new loan.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

8. Long-Term Debt, Continued

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

Year Ended <u>April 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 587,000	\$ 258,000
2026	605,000	241,000
2027	623,000	223,000
2028	641,000	204,000
2029	661,000	185,000
2030-2034	3,611,000	616,000
2035-2037	<u>2,295,000</u>	<u>100,000</u>
Total	<u>\$ 9,023,000</u>	<u>\$ 1,827,000</u>

9. 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.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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9. Leases and Subscription IT Liabilities, Continued

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.

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.

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.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

9. Leases and Subscription IT Liabilities, Continued

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 April 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Short-term lease expense	\$ 57,000	\$ 64,000
Right-to-use lease asset amortization	78,000	72,000
Lease liability interest expense	<u>22,000</u>	<u>24,000</u>
Total lease cost	<u>\$ 157,000</u>	<u>\$ 160,000</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 April 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Short-term SBITA expense	\$ 304,000	\$ 299,000
Right-to-use subscription IT asset amortization	599,000	252,000
Subscription IT liability interest expense	<u>145,000</u>	<u>17,000</u>
Total subscription IT cost	<u>\$ 1,048,000</u>	<u>\$ 568,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

9. Leases and Subscription IT Liabilities, Continued

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

	<u>Restated 2023 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024 Balance</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 580,000	\$ -	\$ 71,000	\$ 509,000	\$ 72,000
Subscription IT liabilities	<u>307,000</u>	<u>3,907,000</u>	<u>468,000</u>	<u>3,746,000</u>	<u>384,000</u>
Total lease and subscription IT liabilities	<u>\$ 887,000</u>	<u>\$ 3,907,000</u>	<u>\$ 539,000</u>	<u>\$ 4,255,000</u>	<u>\$ 456,000</u>
	<u>2022 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Restated 2023 Balance</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 519,000	\$ 131,000	\$ 70,000	\$ 580,000	\$ 71,000
Subscription IT liabilities	<u>-</u>	<u>595,000</u>	<u>288,000</u>	<u>307,000</u>	<u>196,000</u>
Total lease and subscription IT liabilities	<u>\$ 519,000</u>	<u>\$ 726,000</u>	<u>\$ 358,000</u>	<u>\$ 887,000</u>	<u>\$ 267,000</u>

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

Year Ending <u>April 30,</u>	<u>Lease Liabilities</u>		<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 72,000	\$ 19,000	\$ 384,000	\$ 143,000
2026	73,000	16,000	390,000	127,000
2027	75,000	13,000	396,000	112,000
2028	69,000	10,000	382,000	96,000
2029	71,000	8,000	397,000	81,000
2030-2034	<u>149,000</u>	<u>7,000</u>	<u>1,797,000</u>	<u>154,000</u>
Total	<u>\$ 509,000</u>	<u>\$ 73,000</u>	<u>\$ 3,746,000</u>	<u>\$ 713,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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10. Defined Contribution Pension Plan

The Wills Memorial Hospital 401(k) Plan (Plan) was established by the Authority and administered by Fidelity Management and Research Company to provide benefits at retirement to substantially all employees of the Authority who have completed 90 days of service and have averaged 32 service hours per week. Plan provisions and contribution requirements are established and may be amended by the Authority.

Pension expense for the years ended April 30, 2024 and 2023 was approximately \$124,000 and \$98,000, respectively. The amount of employer contributions to be made for any particular year-end with respect to any particular participant is not to exceed 50% of participant contributions up to 4% of Plan compensation. Employees begin vesting after one year of service at 20% each year until they become fully vested in year five. Forfeitures recorded for the years ended April 30, 2024 and 2023 were \$1,000 and \$0, respectively.

11. Employee Health Coverage

The Authority has purchased health insurance coverage for employees under which monthly premiums are paid to United Healthcare. United Healthcare is then responsible for payment of all claims. Total expenses relative to this plan were approximately \$763,000 and \$757,000 for the years ended April 30, 2024 and 2023, respectively.

12. Malpractice Insurance

The Authority is covered by a general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2024 and 2023 are \$1 million per occurrence and \$3 million in aggregate. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim.

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

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HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

13. Fair Value of Financial Instruments

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

- *Cash and cash equivalents, estimated third-party payor settlements, noncurrent cash and investments, accounts payable, and accrued expenses:* The carrying amount reported in the balance sheets approximates their fair value due to the short-term nature of these instruments.
- *Long-term debt:* The fair value of the Authority's remaining long-term debt is estimated based on the quoted market value for same or similar debt instruments.

The carrying amounts and fair values of the Authority's long-term debt at April 30, 2024 and 2023 are as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	<u>\$ 9,023,000</u>	<u>\$ 8,668,000</u>	<u>\$ 9,593,000</u>	<u>\$ 7,639,000</u>

14. Contingencies

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national 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.

Litigation

The Authority is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See malpractice insurance disclosures in Note 12.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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14. Contingencies, Continued

Health Care Reform

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

340B Program

The Authority participates in the 340B Drug Pricing Program (Program) which enables qualifying safety-net health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The Program is administered by the Health Resources and Services Administration's (HRSA) Office of Pharmacy Affairs. Participants in the Program must ensure the Program's integrity and maintain accurate records documenting compliance with all 340B Program requirements. Noncompliance with these requirements can result in repayments to the affected manufacturers and/or termination from the Program.

The Authority identified certain transactions that may not meet Program requirements for patient eligibility during a routine internal audit. Management is in the process of evaluating the affected manufacturers and notifying HRSA of the noncompliance identified. HRSA requires that participants in the Program work in "good faith" to remedy noncompliance. Management believes some of these noncompliance purchases will result in repayment to some of the affected manufacturers and that adequate provision has been made in the financial statements as of April 30, 2024, and 2023 for potential repayment to manufacturers.

15. Coronavirus

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Authority's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Authority's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
Years Ended April 30, 2024 and 2023

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15. Coronavirus, 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 received 73,000 and \$634,000 in grant stimulus funding in fiscal year 2024 and 2023, respectively. The Authority recognized \$73,000 and \$1,503,000 in grant stimulus funding in fiscal year 2024 and 2023, respectively.

Grant stimulus 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.

16. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2029. 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 \$883,000 and \$849,000 during 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.

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 Wilkes County, Georgia  
Washington, 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 Wilkes County, Georgia (Authority) which comprise the balance sheet as of April 30, 2024, 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 28, 2024.

**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 28, 2024