

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	\$ 9,593,000	\$ -	\$ 570,000	\$ 9,023,000	\$ 587,000
Total long-term debt	\$ 9,593,000	\$ -	\$ 570,000	\$ 9,023,000	\$ 587,000
	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	\$ 10,147,000	\$ -	\$ 554,000	\$ 9,593,000	\$ 570,000
Total long-term debt	\$ 10,147,000	\$ -	\$ 554,000	\$ 9,593,000	\$ 570,000

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.

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HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

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

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.

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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.

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