

HOSPITAL AUTHORITY OF BLECKLEY COUNTY



FINANCIAL STATEMENTS

for the years ended March 31, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hospital Authority of Bleckley County
Cochran, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Authority of Bleckley County (Authority), 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 Hospital Authority of Bleckley County (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 discussed in Note 1 to the financial statements, 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.

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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.
- 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.

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Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Draffin & Tucker, LLP

Atlanta, Georgia
September 20, 2024

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Balance Sheets
March 31, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 8,312,806	\$ 5,537,212
Patient accounts receivable, net of estimated uncollectibles of \$799,000 in 2024 and \$670,000 in 2023	1,462,038	907,672
Estimated third-party payor settlements	43,511	982,036
Supplies, at lower of cost (first-in, first-out) or market	157,157	159,818
Prepaid shared services	31,414	-
Other current assets	<u>185,603</u>	<u>167,794</u>
Total current assets	<u>10,192,529</u>	<u>7,754,532</u>
Noncurrent investments:		
Donor restricted for capital acquisitions	19,448	19,294
Other long-term investments	<u>364,649</u>	<u>357,752</u>
Total noncurrent investments	<u>384,097</u>	<u>377,046</u>
Capital assets:		
Land	10,107	10,107
Construction-in-progress	720,792	-
Depreciable, net of accumulated depreciation	<u>7,941,786</u>	<u>8,302,206</u>
Total capital assets, net of accumulated depreciation	<u>8,672,685</u>	<u>8,312,313</u>
Total assets	\$ <u>19,249,311</u>	\$ <u>16,443,891</u>

Continued

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Balance Sheets, Continued
March 31, 2024 and 2023

	<u>2024</u>	Restated <u>2023</u>
Liabilities and Net Position:		
Current liabilities:		
Current maturities of long-term debt	\$ 359,611	\$ 404,641
Accounts payable	642,515	594,999
Accrued expenses	403,352	407,999
Estimated third-party payor settlements	<u>398,754</u>	<u>65,723</u>
Total current liabilities	1,804,232	1,473,362
Noncurrent liabilities:		
Long-term debt, net of current maturities	<u>1,128,032</u>	<u>1,454,481</u>
Total liabilities	<u>2,932,264</u>	<u>2,927,843</u>
Net position:		
Net investment in capital assets	7,185,042	6,453,191
Restricted, expendable for capital acquisition	19,448	19,294
Unrestricted	<u>9,112,557</u>	<u>7,043,563</u>
Total net position	<u>16,317,047</u>	<u>13,516,048</u>
Total liabilities and net position	\$ <u>19,249,311</u>	\$ <u>16,443,891</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Statements of Revenues, Expenses and Changes in Net Position
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 \$1,189,223 for 2024 and \$1,083,006 in 2023)	\$ 13,548,132	\$ 11,514,814
Other revenue	<u>43,706</u>	<u>33,108</u>
Total operating revenues	<u>13,591,838</u>	<u>11,547,922</u>
Operating expenses:		
Salaries and wages	4,980,107	4,402,887
Employee benefits	722,836	831,948
Purchased services and professional fees	2,957,380	2,594,491
Shared services fees	376,968	376,968
Supplies and drugs	919,366	773,042
Depreciation and amortization	1,049,408	696,239
Other expenses	<u>1,059,778</u>	<u>950,808</u>
Total operating expenses	<u>12,065,843</u>	<u>10,626,383</u>
Operating income	<u>1,525,995</u>	<u>921,539</u>
Nonoperating revenues (expenses):		
Investment income	12,548	6,985
Interest expense	(56,947)	(68,087)
Rural hospital tax credit contributions	1,057,057	169,892
CARES and ARP Act funding	-	923,304
Noncapital grants	<u>-</u>	<u>5,000</u>
Total nonoperating revenues	<u>1,012,658</u>	<u>1,037,094</u>
Excess of revenues over expenses	2,538,653	1,958,633
Capital contributions:		
ARP Act SFRF funding	<u>262,346</u>	<u>629,878</u>
Change in net position	2,800,999	2,588,511
Net position, beginning of year	<u>13,516,048</u>	<u>10,927,537</u>
Net position, end of year	\$ <u>16,317,047</u>	\$ <u>13,516,048</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Statements of Cash Flows
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	\$ 14,265,322	\$ 10,461,041
Recoupments of Medicare advance payments	-	(61,528)
Payments to suppliers and contractors	(5,312,538)	(4,446,620)
Payments to employees	(5,707,590)	(5,316,856)
Other receipts	<u>43,706</u>	<u>33,108</u>
Net cash provided by operating activities	<u>3,288,900</u>	<u>669,145</u>
Cash flows from noncapital financing activities:		
Rural hospital tax credit contributions	1,057,057	169,892
Receipts of noncapital grants	<u>-</u>	<u>5,000</u>
Net cash provided by noncapital financing activities	<u>1,057,057</u>	<u>174,892</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(404,641)	(357,820)
Interest paid on long-term debt	(56,947)	(68,087)
Purchase of capital assets	(1,376,618)	(2,355,580)
Receipts of ARP Act funding	<u>262,346</u>	<u>629,878</u>
Net cash used by capital and related financing activities	<u>(1,575,860)</u>	<u>(2,151,609)</u>
Cash flows from investing activities:		
Investment income	12,548	6,985
Purchase of investments	<u>(7,051)</u>	<u>(2,406)</u>
Net cash provided by investing activities	<u>5,497</u>	<u>4,579</u>
Net increase (decrease) in cash and cash equivalents	2,775,594	(1,302,993)
Cash and cash equivalents, beginning of year	<u>5,537,212</u>	<u>6,840,205</u>
Cash and cash equivalents, end of year	\$ <u>8,312,806</u>	\$ <u>5,537,212</u>

Continued

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Statements of Cash Flows, Continued
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 and cash equivalents in current assets	\$ <u>8,312,806</u>	\$ <u>5,537,212</u>
Total cash and cash equivalents	\$ <u>8,312,806</u>	\$ <u>5,537,212</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,525,995	\$ 921,539
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	1,049,408	696,239
Provision for bad debts	1,189,223	1,083,006
Change in:		
Patient accounts receivable	(1,743,589)	(1,243,554)
Estimated third-party payor settlements	1,271,556	(893,225)
Prepaid shared services	(31,414)	-
Supplies	2,661	12,129
Other current assets	(17,809)	(30,367)
Accounts payable	47,516	266,927
Accrued expenses	(4,647)	(82,021)
Medicare advance payments	<u>-</u>	<u>(61,528)</u>
Net cash provided by operating activities	\$ <u>3,288,900</u>	\$ <u>669,145</u>
Noncash capital financing activities:		
Assets acquired through SBITAs	\$ <u>33,162</u>	\$ <u>102,382</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements March 31, 2024 and 2023

1. Summary of Significant Accounting Policies

Reporting entity. Hospital Authority of Bleckley County (Authority) is a public body corporate and politic organized under the Hospital Authorities Law of the State of Georgia. It was created in 1969 by the Board of County Commissioners of Bleckley County, Georgia (County), to operate, control, and manage all matters concerning the County's health care functions. The Authority is governed by a seven-member board of trustees appointed by the County. The Authority owns and operates Bleckley Memorial Hospital, a twenty-five (25) bed acute care hospital.

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.

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, estimated third-party payor settlements, and self-insurance reserves. In particular, 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 associated with these programs will change by a material amount in the near term.

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).

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 claims and judgments, 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 partially self-insured for employee health claims as discussed in Note 14. See Note 14 for additional information related to the Authority's general and professional liability insurance coverage.

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

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

Noncurrent investments. Noncurrent investments include unrestricted investments and assets restricted by donor for future capital acquisitions. These investments consist of certificates of deposit with a maturity of twelve (12) months. The investments are reported at cost plus accrued interest.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

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. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below.

Land improvements	15 to 20 Years
Buildings and building improvements	20 to 40 Years
Equipment, computers and furniture	3 to 10 Years
Right-to-use lease assets	3 to 10 Years
Right-to-use SBITAs	5 to 7 Years

The Authority evaluates capital assets regularly for impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying value. The Authority has not recorded any impairment charges during 2024 or 2023.

Costs of borrowing. Interest cost on borrowed funds during the period of construction is expensed in the period incurred.

Costs incurred in connection with the issuance of bonds and notes are expensed during the period incurred.

Compensated absences. The Authority's employees earn paid time off (PTO) at varying rates depending on years of service. Employees may accumulate PTO hours up to a specified maximum. Upon termination, employees receive a percentage of accrued PTO based on their years of service. The accrued PTO is reported as a current liability in 2024 and 2023.

At each calendar year-end, employees may transfer forty-eight (48) PTO hours to an Extended Illness Bank (EIB). EIB hours may be used for absences lasting longer than three (3) days due to illness or injury. Employees may accumulate EIB hours up to a specified maximum. Accrued EIB is not paid to employees upon termination. Therefore, no liability is recorded for accrued EIB.

Unearned revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES and ARP Act payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 16 for additional information.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Leases. Lessee: 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.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the balance sheets.

Subscription-based information technology arrangements. 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.

Continued

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Subscription-based information technology arrangements, continued. 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.

Activities associated with a SBITA, other than making subscription payments, are grouped into the following stages:

- Preliminary Project Stage - Outlays are expensed as incurred.
- Initial Implementation Stage - Outlays are generally capitalized as an addition to the subscription IT asset.
- Operation and Additional Implementation Stage - Outlays are expensed as incurred unless specific capitalization criteria is met.

Subscription IT assets are reported with capital assets and subscription IT liabilities are reported with long-term debt on the balance sheets.

Net position. Net position is classified into components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. The *restricted* component of net position consists of restricted assets reduced by liabilities related to those assets. The *unrestricted* component of net position is the amount of assets and liabilities that is not included in the determination of *net investment in capital assets* or the *restricted* component of net position.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Net patient service revenue. The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement 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.

Charity care. The Authority provides care to patients who meet certain criteria under its financial assistance 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.

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.

Grants and contributions. From time to time, the Authority receives grants from the federal and state governments, contributions from the County, 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.

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.

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

Recently adopted accounting pronouncement. On April 1, 2023, the Authority adopted Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 requires recognition of subscription-based information technology arrangements as a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The Authority retroactively implemented the statement effective April 1, 2022. The adoption of this statement resulted in recognizing SBITA obligations and related right-to-use assets of \$1,388,861 as of April 1, 2022.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

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. It requires that liabilities for compensated absences be recognized for (1) leave that has not been used (when certain criteria have been met) 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 believes there are no significant credit risks associated with receivables due from third-party payors. A summary of the payment arrangements with major third-party payors follows:

- *Medicare.* The Authority has been granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily inpatient census and an annual, average length of stay of inpatients. Inpatient and outpatient services rendered to Medicare program beneficiaries are paid based on 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 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 settled by the MAC through March 31, 2022. Revenue from the Medicare program accounted for approximately 74% and 72% of the Authority's net patient service revenue during 2024 and 2023, respectively.
- *Medicaid.* Inpatient 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. Outpatient services rendered to the Medicaid program beneficiaries are generally paid based on 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. Revenue from the Medicaid program accounted for approximately 10% and 12% of the Authority's net patient service revenue during 2024 and 2023, respectively.

The Authority also contracts with certain care management organizations (CMOs) to receive reimbursement for providing services to select enrolled Medicaid beneficiaries. Payment arrangements with these CMOs consist primarily of prospectively determined rates and discounts from established charges.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

2. Net Patient Service Revenue, Continued

- *Medicaid, 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 net amount of ICTF payments recognized in net patient service revenues was approximately \$576,000 and \$670,000 during 2024 and 2023, respectively.

The Authority also participates in the Medicaid Upper Payment Limit (UPL) program. 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 \$11,000 and \$8,000 during 2024 and 2023, respectively.

- *Uninsured and charity.* The Authority provides emergency and other medically necessary care regardless of a patient's ability to pay. The Authority has a Financial Assistance Policy (FAP) to assist those patients who cannot pay for all or part of their care. Based on the FAP, uninsured patients will not be charged more than the Amounts Generally Billed (AGB) to patients with insurance covering their care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) for medically necessary care by Medicare and private health insurers during a 12-month look-back period. The Authority provides services without charge (full charity) or at amounts less than its established rates (partial charity) to patients that are approved for charity care under the FAP. Patient household income in relation to the federal poverty guidelines and certain special circumstance criteria are included in the determination of charity care qualification.
- *Other arrangements.* The Authority 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.

Compliance with Medicare and Medicaid laws and regulations are subject to government review and interpretation. The Centers for Medicare and Medicaid Services (CMS) created the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program to perform audits of providers to identify overpayments and to ultimately decrease the payment of inappropriate Medicare and Medicaid claims. Noncompliance with Medicare and Medicaid laws and regulations can lead to fines, penalties and exclusion from the Medicare and Medicaid programs.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates (gross patient charges). 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	\$ <u>19,877,362</u>	\$ <u>16,358,731</u>
Uncompensated services:		
Medicare	2,054,357	1,316,986
Medicaid	1,132,603	1,032,113
Medicaid Indigent Care Trust Fund	(575,833)	(669,968)
Medicaid Upper Payment Limit	(10,743)	(8,016)
Blue Cross	912,410	813,073
Other insurance	970,555	644,030
Uninsured	434,336	421,324
Charity	222,322	211,369
Bad debts	<u>1,189,223</u>	<u>1,083,006</u>
Total uncompensated care	<u>6,329,230</u>	<u>4,843,917</u>
Net patient service revenue	\$ <u>13,548,132</u>	\$ <u>11,514,814</u>

4. Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. As of March 31, 2024 and 2023, the Authority's deposits were entirely insured or collateralized.

The carrying amounts of deposits are included in the following balance sheet captions:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 8,312,806	\$ 5,537,212
Donor restricted for capital acquisitions	19,448	19,294
Other long-term investments	<u>364,649</u>	<u>357,752</u>
Total	\$ <u>8,696,903</u>	\$ <u>5,914,258</u>

Continued

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
 March 31, 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 at March 31, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	Restated <u>2023</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 1,192,512	\$ 886,405
Receivable from Medicare	1,011,545	642,152
Receivable from Medicaid	<u>56,981</u>	<u>49,115</u>
Total patient accounts receivable	2,261,038	1,577,672
Less allowance for uncollectible amounts	<u>799,000</u>	<u>670,000</u>
Patient accounts receivable, net	\$ <u>1,462,038</u>	\$ <u>907,672</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 403,352	\$ 407,999
Payable to suppliers	<u>642,515</u>	<u>594,999</u>
Total accounts payable and accrued expenses	\$ <u>1,045,867</u>	\$ <u>1,002,998</u>

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

6. Capital Assets

A schedule of change in the Authority's capital assets for 2024 and 2023 follows:

	Restated Balance March 31, 2023	Additions	Retirements	Transfers	Balance March 31, 2024
Land	\$ 10,107	\$ -	\$ -	\$ -	\$ 10,107
Construction-in-progress	-	720,792	-	-	720,792
Land improvements	297,751	74,930	-	-	372,681
Buildings and improvements	8,452,196	412,346	-	-	8,864,542
Equipment	2,676,375	158,350	-	-	2,834,725
Leased equipment	919,902	-	(238,536)	-	681,366
SBITAs	<u>1,494,493</u>	<u>43,362</u>	<u>-</u>	<u>-</u>	<u>1,537,855</u>
Totals at historical cost	<u>13,850,824</u>	<u>1,409,780</u>	<u>(238,536)</u>	<u>-</u>	<u>15,022,068</u>
Less accumulated depreciation for:					
Land improvements	(185,899)	(35,867)	-	-	(221,766)
Buildings and improvements	(2,879,893)	(369,614)	-	-	(3,249,507)
Equipment	(1,906,883)	(159,047)	-	-	(2,065,930)
Leased equipment	(417,493)	(192,548)	238,536	-	(371,505)
SBITAs	<u>(148,343)</u>	<u>(292,332)</u>	<u>-</u>	<u>-</u>	<u>(440,675)</u>
Total accumulated depreciation	<u>(5,538,511)</u>	<u>(1,049,408)</u>	<u>238,536</u>	<u>-</u>	<u>(6,349,383)</u>
Total capital assets, net	<u>\$ 8,312,313</u>	<u>\$ 360,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,672,685</u>

Continued

HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

6. Capital Assets, Continued

	Restated Balance <u>March 31, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Restated Balance <u>March 31, 2023</u>
Land	\$ 10,107	\$ -	\$ -	\$ -	\$ 10,107
Construction deposit	799,255	-	-	(799,255)	-
Construction-in-progress	2,388,070	1,718,035	-	(4,106,105)	-
Land improvements	297,751	-	-	-	297,751
Buildings and improvements	3,441,114	160,813	-	4,850,269	8,452,196
Equipment	2,147,802	473,482	-	55,091	2,676,375
Leased equipment	919,902	-	-	-	919,902
SBITAs	<u>1,388,861</u>	<u>105,632</u>	<u>-</u>	<u>-</u>	<u>1,494,493</u>
Totals at historical cost	<u>11,392,862</u>	<u>2,457,962</u>	<u>-</u>	<u>-</u>	<u>13,850,824</u>
Less accumulated depreciation for:					
Land improvements	(158,370)	(27,529)	-	-	(185,899)
Buildings and improvements	(2,680,059)	(199,834)	-	-	(2,879,893)
Equipment	(1,811,421)	(95,462)	-	-	(1,906,883)
Leased equipment	(192,422)	(225,071)	-	-	(417,493)
SBITAs	<u>-</u>	<u>(148,343)</u>	<u>-</u>	<u>-</u>	<u>(148,343)</u>
Total accumulated depreciation	<u>(4,842,272)</u>	<u>(696,239)</u>	<u>-</u>	<u>-</u>	<u>(5,538,511)</u>
Total capital assets, net	<u>\$ 6,550,590</u>	<u>\$ 1,761,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,312,313</u>

A contract of approximately \$876,000 exists for the renovation of the Authority's facilities. At March 31, 2024, the remaining commitment on the contract approximated \$156,000.

7. Medicare Accelerated and Advance Payments

The *Coronavirus Aid, Relief, and Economic Security Act* expanded the Medicare Accelerated and Advance Payment (MAAP) program to increase cash flow to healthcare providers impacted by the COVID-19 pandemic. In April 2020, the Authority received \$1,271,402 in MAAP payments. The MAAP payments must be repaid and recoupment begins one year after the date of receipt. Medicare will recoup 25% of Medicare payments owed to the Authority for eleven months. Medicare will then recoup 50% of Medicare payments owed to the Authority for the succeeding six months. Any outstanding balance must then be repaid. As of March 31, 2023, all MAAP payments had been recouped.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

8. Long-Term Debt

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

	Restated Balance March 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance March 31, <u>2024</u>	Amounts Due Within <u>One Year</u>
Leases	\$ 517,119	\$ -	\$(192,764)	\$ 324,355	\$ 129,913
SBITAs	<u>1,342,003</u>	<u>33,162</u>	<u>(211,877)</u>	<u>1,163,288</u>	<u>229,698</u>
Total	\$ <u>1,859,122</u>	\$ <u>33,162</u>	\$ <u>(404,641)</u>	\$ <u>1,487,643</u>	\$ <u>359,611</u>
	Restated Balance March 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Restated Balance March 31, <u>2023</u>	Amounts Due Within <u>One Year</u>
Leases	\$ 725,699	\$ -	\$(208,580)	\$ 517,119	\$ 192,764
SBITAs	<u>1,388,861</u>	<u>102,382</u>	<u>(149,240)</u>	<u>1,342,003</u>	<u>211,877</u>
Total	\$ <u>2,114,560</u>	\$ <u>102,382</u>	\$ <u>(357,820)</u>	\$ <u>1,859,122</u>	\$ <u>404,641</u>

The terms and due dates of the Authority's long-term debt at March 31, 2024 and 2023, follow:

- *Equipment leases* - Leases of equipment for use in the ultrasound, CT, laboratory, respiratory therapy, and administrative departments. While terms vary by lease, each lease provides for a monthly lease payment. 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.
- *Subscription-based information technology arrangements* - Subscription obligations for seven (7) arrangements that range from 5 years to 7 years. The monthly payment amount is specific to each agreement based on the terms of the agreement. None of the subscription-based information technology arrangements 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.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

8. Long-Term Debt, Continued

Scheduled principal and interest payments on lease and SBITA liabilities are as follows:

<u>Year Ending March 31</u>	<u>Leases</u>		<u>SBITAs</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 129,913	\$ 8,630	\$ 229,698	\$ 38,992
2026	129,504	4,402	238,252	30,438
2027	57,094	811	247,143	21,546
2028	7,844	107	256,389	12,301
2029	<u>-</u>	<u>-</u>	<u>191,806</u>	<u>2,874</u>
Total	\$ <u>324,355</u>	\$ <u>13,950</u>	\$ <u>1,163,288</u>	\$ <u>106,151</u>

9. Restricted Net Position

Restricted, expendable net position is available for the following purpose:

	<u>2024</u>	<u>2023</u>
Capital acquisition for radiology department	\$ <u>19,448</u>	\$ <u>19,294</u>

Unless the contributor provides specific instructions, state law permits the Authority Board of Trustees to authorize for expenditure the net appreciation of the investments. The Authority chooses to add any investment income back to the value of the investments.

10. Employee Retirement Plan

The Authority sponsors a retirement plan for its employees through the Bleckley County Hospital Deferred Compensation Plan (Plan), a defined contribution plan. The Plan is a Section 457(b) deferred compensation plan. The Authority administers the Plan. Plan provisions are established and may be amended by the Authority's Board of Trustees. All employees are eligible to participate in the Plan. Employees may make contributions (elective deferrals) to the Plan such that total contributions do not exceed the maximum annual amount as set periodically by the IRS. Employee contributions to the Plan were approximately \$82,000 and \$80,000 for 2024 and 2023, respectively. The Authority does not make a matching contribution to the Plan.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

11. Concentration of Credit Risk

The Authority grants credit without collateral to its patients substantially all of whom are local residents and are insured under third-party payors. The mix of receivables from patients and third-party payors is as follows:

	<u>2024</u>	<u>2023</u>
Medicare	69%	71%
Medicaid	4%	5%
Blue Cross	10%	7%
Other third-party payors	10%	11%
Patients	<u>7%</u>	<u>6%</u>
Total	<u>100%</u>	<u>100%</u>

12. Contingencies

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 the 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.

Litigation. The Authority is subject to litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that any matters would be resolved without a material adverse effect on the Authority's future financial position or results from operations. See general and professional liability insurance disclosures in Note 14.

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 US 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, state and federal governments, and impact on the Authority's patients, employees, and vendors, all of which are uncertain and cannot be predicted. 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.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued March 31, 2024 and 2023

13. Shared Services Agreement

On January 29, 2019, the Authority entered into a Shared Services Agreement with Taylor Regional Hospital, Inc. (TRH) for a term of 24 months. On April 1, 2021, the Authority entered into a new Shared Services Agreement (SS Agreement) with TRH for a term of 24 months, with an automatic renewal for an additional 5-year term unless notice is given. Under the SS Agreement, TRH will provide certain management and general administrative support services for the benefit of the Authority through the sharing of staff and other resources. The Authority shall pay TRH the following for the cost of the shared services:

- A monthly fee of \$25,388 (amount to be recalculated every 24 months after the effective day of the SS Agreement)
- 18% of the salary of the Chief Executive Officer (CEO) of TRH
- Actual cost for any goods or services from third parties that TRH prepays on the Authority's behalf.

Under the SS Agreement, the Authority incurred \$376,968 of shared services fees in both 2024 and 2023. At March 31, 2024, the Authority prepaid the April 2024 shared services fee.

14. Insurance Arrangements

General and professional liability insurance. The Authority has claims-made insurance coverage for professional liability and occurrence insurance coverage for general liability. The insurance policies have limits of \$1,000,000 per claim and \$3,000,000 annual aggregate. The policies have no deductible.

Self-insured health plan. The Authority is self-insured for employee health insurance. The Authority maintains reinsurance through a commercial excess coverage policy, which will reimburse the Authority for individual claims in excess of \$175,000 annually. The Authority incurred expenses related to the plan of approximately \$344,000 and \$486,000 during 2024 and 2023, respectively. Estimated accruals for claims incurred but not reported of \$15,000 and \$62,000 at March 31, 2024 and 2023, respectively, have been recorded.

15. 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 2017 through 2024. Contributions received under the program approximated \$1,057,000 and \$170,000 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.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

16. CARES and ARP Act Funding

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* was passed, on April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed, and on March 11, 2021, the *American Rescue Plan Act* was passed (collectively, CARES and ARP Act). Certain provisions of the CARES and ARP Act provide relief funds to healthcare providers. The funding is to be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds in April 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 remain open. The Authority has received the following CARES and ARP Act funding:

- \$30 Billion Provider Relief Fund (PRF) General Distribution - On April 10, 2020, HHS distributed \$30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received \$315,415 in funding from this distribution.
- \$10 Billion PRF Rural Distribution - On May 6, 2020, HHS distributed \$10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Authority received \$3,308,868 in funding from this distribution. In September 2021, the Authority reported to HHS on its use of phase 1 PRF funds and returned \$773,681 of unused PRF funds to HHS.
- \$4.9 Million Small Rural Hospital Improvement Program (SHIP) Grant - On April 22, 2020, HHS appropriated approximately \$4.9 Million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to 58 rural hospitals in Georgia for the purpose of preventing, preparing for, and responding to COVID-19. The Authority received \$84,317 in funding from the distribution.
- \$4.9 Million Georgia Hospital Association Research and Education Foundation, Inc. (GHAREF) Grant - The Assistant Secretary of Preparedness and Response (ASPR) of HHS allocated approximately \$350 million to state hospital associations and other entities to disburse to health care providers on the front lines of the COVID-19 pandemic. GHAREF received approximately \$4.9 million to disburse to hospitals in Georgia. The Authority received \$13,764 in funding from this grant.
- \$398 Million ARP SHIP COVID-19 Testing and Mitigation Initiative Grant - On July 12, 2021, HHS appropriated \$398 million to state governments to distribute to rural hospitals. The State of Georgia Department of Community Health, State Office of Rural Health received \$13,435,552 to distribute to 52 rural hospitals. The Authority received \$258,376 in funding from this distribution.
- \$8.5 Billion ARP Rural Payments - In November 2021, HHS distributed \$8.5 billion to 43,845 rural healthcare providers. The Authority received \$602,078 in funding from this distribution.

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HOSPITAL AUTHORITY OF BLECKLEY COUNTY

Notes to Financial Statements, Continued
March 31, 2024 and 2023

16. CARES and ARP Act Funding, Continued

- \$17 Billion PRF Phase 4 General Distribution - In December 2021, HHS distributed batch 1 of phase 4 of the Provider Relief Funds. The Authority received \$69,827 in funding from this distribution.
- \$170 Million ARP State Fiscal Recovery Fund - HHS distributed \$150 billion to state, local, and tribal governments through the State Fiscal Recovery Fund (SFRF). The State of Georgia received \$4.8 billion in SFRF funds. The State of Georgia allocated \$170 million to hospitals for capital improvements to prevent or mitigate COVID-19. The Authority was allocated \$1,045,000 through this program. The Authority must incur the expenses before being reimbursed by the SFRF funds.

The CARES and ARP Act also suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through March 31, 2022. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.

The CARES and ARP Act funding is reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

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

Below is a schedule of the CARES and ARP Act funds recognized as revenue by year along with funds returned and remaining unspent funds.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Funds Returned</u>	<u>Remaining Funds</u>
PRF General	\$ -	\$ -	\$ 172,181	\$ 143,234	\$ -	\$ -
PRF Rural	-	-	2,535,187	-	773,681	-
PRF Phase 4	-	69,827	-	-	-	-
ARP Rural	-	602,078	-	-	-	-
ARP SFRF	262,346	629,878	-	-	-	152,776
ARP SHIP	-	251,399	6,977	-	-	-
SHIP grant	-	-	-	84,317	-	-
GHAREF grant	-	-	-	13,764	-	-
Total	\$ <u>262,346</u>	\$ <u>1,553,182</u>	\$ <u>2,714,345</u>	\$ <u>241,315</u>	\$ <u>773,681</u>	\$ <u>152,776</u>