

HOSPITAL AUTHORITY OF
STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

FINANCIAL STATEMENTS

for the years ended September 30, 2024 and 2023



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

FINANCIAL STATEMENTS

for the years ended September 30, 2024 and 2023

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Financial Statements:	
Balance Sheets	11-12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14-15
Notes to Financial Statements	16-40
Supplemental Schedule:	
Combining Schedule of Revenue and Expenses	41



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hospital Authority of Stephens County, Georgia
Toccoa, Georgia

Opinion

We have audited the accompanying financial statements of the Hospital Authority of Stephens County, Georgia (Authority), a component unit of Stephens County, Georgia, which comprise the balance sheets as of September 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 Authority as of September 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the Authority has reported recurring operating losses, current liabilities exceed current assets, and has a net position deficiency. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 17. Our opinion is not modified with respect to that matter.

Continued

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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.

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 10 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.

Supplemental Schedule Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Authority as a whole. The accompanying Combining Schedule of Revenue and Expenses information for Stephens County Hospital, Personal Care Facilities, and Stephens County Hospital Physician Group, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Draffin & Tucker, LLP

Albany, Georgia
December 30, 2025



163 Hospital Drive ~ Toccoa, Georgia 30577

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

The Hospital Authority of Stephens County, Georgia (Authority) includes Stephens County Hospital, two personal care facilities, and physician practices. The Stephens County Hospital provides inpatient, outpatient, and emergency care services for residents of Stephens County, Georgia, and surrounding areas and is licensed for 96 inpatient beds. The two personal care facilities are licensed for a total of 92 beds and provide a level of care less than that of a nursing home.

FINANCIAL HIGHLIGHTS

- Assets decreased \$784,353 (-3%)
- Operating expenses increased \$1,897,691 (4%)
- Operating loss was \$2,462,719
- Operating margin was 4%

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The financial statements are comprised of three components: 1) financial statements, 2) notes to the financial statements, and 3) supplemental schedule. The financial statements include the Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows for the years ending September 30, 2024 and 2023. The Authority utilizes the enterprise fund method of accounting. This method provides both long-term and short-term financial information and requires that revenue and expenses are recognized on the full accrual basis. The Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Short-term changes in total assets correlating with an inverse change in net liabilities may also serve as a useful indicator of an improving or deteriorating financial position. The Statements of Revenues, Expenses and Changes in Net position present information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

FINANCIAL ANALYSIS

Assets

Total assets of the Authority decreased by \$784,353 (-3%) due primarily to the overall decrease in capital assets. Due to cash flow issues, fewer capital projects have been planned.

Table 1: Summary of Assets

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 7,991,431	\$ 7,142,819	\$ 9,956,480
Capital assets	<u>15,535,043</u>	<u>17,168,008</u>	<u>18,675,029</u>
Total assets	\$ <u>23,526,474</u>	\$ <u>24,310,827</u>	\$ <u>28,631,509</u>

Liabilities and Net Position

Total liabilities of the Authority decreased \$2,657,742 (-9%) due mainly to the repayments on long-term debt, lease, and subscription IT liabilities. Accounts payable was also paid down with the receipt of the Employee Retention Tax Credit funds.

Table 2: Summary of Liabilities and Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Long-term debt	\$ 9,515,640	\$ 10,390,000	\$ 11,350,000
Other liabilities	<u>18,430,784</u>	<u>20,214,166</u>	<u>16,728,933</u>
Total liabilities	27,946,424	30,604,166	28,078,933
Net position	(<u>4,419,950</u>)	(<u>6,293,339</u>)	<u>552,576</u>
Total liabilities and net position	\$ <u>23,526,474</u>	\$ <u>24,310,827</u>	\$ <u>28,631,509</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

Net Patient Service Revenue

Inpatient revenue decreased \$2,871,633 (-12%), outpatient revenue increased \$13,486,952 (38%), and emergency room revenue increased \$11,567,358 (33%). Uncompensated services (contractual adjustments and bad debts) increased \$16,044,692 (22%).

Table 3: Summary of Net Patient Service Revenue

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Gross patient service revenue:			
Inpatient	\$ 21,079,851	\$ 23,951,484	\$ 25,145,242
Outpatient	48,912,263	35,425,311	22,617,540
Emergency	46,746,787	35,179,429	30,956,382
Physicians	16,056,413	15,352,363	10,242,631
Personal care facilities	<u>2,854,739</u>	<u>2,582,932</u>	<u>2,468,419</u>
Gross patient service revenue	<u>135,650,053</u>	<u>112,491,519</u>	<u>91,430,214</u>
Uncompensated services:			
Medicare	45,656,565	35,408,661	28,390,533
Medicaid	6,512,390	3,713,969	1,604,911
Insurance	25,904,183	24,922,269	9,385,835
Charity/indigent	788,916	409,895	970,286
Bad debts	<u>9,311,411</u>	<u>7,673,979</u>	<u>14,329,727</u>
Total uncompensated care	<u>88,173,465</u>	<u>72,128,773</u>	<u>54,681,292</u>
Net patient service revenue	\$ <u>47,476,588</u>	\$ <u>40,362,746</u>	\$ <u>36,748,922</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

Operating Expenses

Operating expenses increased \$1,897,691 (4%). This is primarily due to an increase in salaries and benefits.

Table 4: Summary of Operating Expenses

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Salaries, wages, and employee benefits	\$ 27,543,265	\$ 26,072,163	\$ 20,041,163
Professional fees	11,367,246	11,205,086	14,552,950
Supplies	6,345,475	6,198,864	5,005,845
Depreciation and amortization	2,024,388	2,284,392	2,260,274
Other	<u>4,890,591</u>	<u>4,512,769</u>	<u>4,630,404</u>
Total operating expenses	\$ <u>52,170,965</u>	\$ <u>50,273,274</u>	\$ <u>46,490,636</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2024, the Authority had \$15,535,043 invested in capital assets, net of accumulated depreciation, as detailed in Table 5.

Table 5: Capital Assets, Net of Accumulated Depreciation

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Land	\$ 255,787	\$ 255,787	\$ 350,787
Construction-in-progress	94,694	34,512	3,375
Land improvements	330,926	368,783	414,929
Buildings	12,000,901	12,769,575	13,593,698
Equipment	1,883,241	2,169,041	2,306,235
Intangible right-to-use lease and subscription IT assets	<u>969,494</u>	<u>1,570,310</u>	<u>2,006,005</u>
Total capital assets	\$ <u>15,535,043</u>	\$ <u>17,168,008</u>	\$ <u>18,675,029</u>

During 2024, the Authority had capital asset additions of \$391,423, of which \$4,000 was purchased with funds from the 2017 Bond Project Fund.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

Long-Term Debt

At September 30, 2024, the Authority had \$9,515,640 in debt borrowings outstanding, as summarized in Table 6. At September 30, 2024, the Authority had \$21 in unspent proceeds from the 2017 Series Certificates that will be used for future capital purchases.

Table 6: Long-Term Debt

	<u>2024</u>	<u>2023</u>	<u>2022</u>
2017 Series Certificates	\$ 9,400,000	\$ 10,390,000	\$ 11,350,000
Bank loans	<u>115,640</u>	<u>-</u>	<u>-</u>
Total long-term debt	\$ <u>9,515,640</u>	\$ <u>10,390,000</u>	\$ <u>11,350,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Stephens County Hospital (SCH) demonstrated measurable financial and operational progress during FY 2024 highlighted by a reduction in both short-term debt (8.4%) and long-term debt (8.8%) combining for a reduction in debt of \$2.7 million. This was complimented by an improvement in net patient revenue of 17.6% from the prior fiscal year and more than \$10 million greater than FY 2022. This represents sustained and significant financial improvement through a disciplined administrative plan focused on strategic growth, improved cost control, and enhanced service delivery.

One of the most significant operational and financial accomplishments during FY 2024 was the transition to a new hospitalist group in February 2024. This change was implemented to address inefficiencies in patient flow, improve clinical coordination, and enhance overall inpatient management while increasing the scope of patients able to be maintained within the SCH system. The 7 months of FY 2024 in which this new hospitalist group worked, SCH saw an 8.4% increase in its admission rate from the Emergency Department. The hospitalist group has also proven to be effective in discharging patients in greater accordance to their geometric mean length of stay. Length of stay for a medical inpatient reduced by 22.7% following the transition to the new hospitalist group which helps both in improving patient outcomes, but also in controlling the expense of an inpatient unit. The decrease in inpatient days per admission has directly lowered variable costs while simultaneously improving bed availability, allowing SCH to serve a higher patient volume within existing capacity. The financial benefits of this improvement has been reinforced by enhanced documentation accuracy and more consistent billing practices driven by the new hospitalist group's adherence to standardized clinical protocols.

In addition to optimizing core operations, SCH advanced several strategic partnerships that expanded service lines and strengthened revenue diversity. Through collaboration with the Northside Hospital Heart Institute, SCH successfully introduced comprehensive cardiology services to Stephens County, allowing patients to access specialized cardiac care locally. This partnership immediately created a new revenue-generating service line and has improved patient retention by reducing the number of cardiology referrals leaving the community. Concurrently, SCH achieved official Stroke Center

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

designation under the guidance of Wellstar Health System, elevating both clinical quality and reimbursement potential for acute stroke cases through higher acuity coding and enhanced care deliver standards. SCH also joined the Kids Alliance for Better Care, which has improved pediatric emergency services by providing specialized protocols, staff training, and clinical support. These alliances illustrate SCH's strategic approach to improving service availability while leveraging external expertise to limit capital exposure and operational risk.

Additionally, SCH secured a renegotiated contract with the Stephens County government for Emergency Medical Services (EMS) operations, which took effect in July 2024. The previous contract which governed the service resulted in a financial loss of \$455,000 during FY 2023. The updated agreement substantially increased the county subsidy to more accurately align funding with the true cost of maintaining countywide ambulance coverage. This adjustment corrected a structural funding shortfall that had placed financial strain on SCH in prior years. As a result, SCH has been able to allocate internal resources more effectively toward patient care and capital priorities rather than offsetting EMS operational deficits. This contract renegotiation demonstrates prudent financial stewardship and SCH's proactive engagement with local government to ensure the continued viability of essential public services.

As SCH enters FY 2025, leadership has outlined a forward-looking plan that builds upon recent financial and operational success. SCH will continue to invest in areas with the highest potential return on investment and patient impact. A key element of this plan is the recruitment of additional surgeons to expand procedural capacity and maintain the strong surgical growth achieved in the past year. Increasing surgical availability directly drives inpatient and outpatient revenue, improves payor mix, and supports profitability in high-margin service lines. To complement this effort, SCH will also introduce weekend coverage for MRI and echocardiogram services, which will enhance throughout, minimize patient transfers, and capture additional diagnostic volume previously lost to limited scheduling availability. The financial impact of this initiative is expected to be twofold: an increase in imaging revenue and improved retention of inpatient care that might otherwise shift to competing facilities.

In FY 2025, SCH will also recruit a full-time cardiologist, building on the Northside partnership to provide continuity of care, expanded diagnostic capability, and greater retention of downstream cardiac testing and procedures. SCH will further strengthen its service portfolio by launching inpatient renal dialysis, addressing a longstanding gap in local access and reducing costly patient transfers. This new program will improve the SCH's case mix index and generate incremental revenue while supporting higher quality scores and patient satisfaction. Additionally, SCH has secured Congressional Directed Spending grant funding to renovate its perioperative department, a project that will modernize operating suites, improve efficiency, and support compliance with regulatory and infection control standards. These capital improvements are fully funded through grant support, minimizing debt exposure and demonstrating SCH's success in leveraging external resources for infrastructure modernization.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Management's Discussion and Analysis
September 30, 2024 and 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

Another major initiative planned for 2025 is the opening of a school-based health center in partnership with the Stephens County School System. Supported through federal grant funding, this project underscores SCH's commitment to community-based care and preventive health, while also creating a modest but stable new revenue stream through primary care encounters and ancillary testing. It further solidifies SCH's community integration strategy and enhances public trust - both of which contribute indirectly to patient loyalty and financial stability.

Through the combination of operational disciplines, strategic partnerships, and effective negotiation, SCH has positioned itself on a trajectory of sustained financial improvement. SCH's leadership team continues to employ a data-driven approach to decision-making, guided by rigorous financial monitoring and performance accountability. Current-year results reflect measurable gains in efficiency, margin improvement, and revenue diversification. As SCH enters the next fiscal cycle, it does so with renewed confidence, strengthened governance, and a clear plan for continued growth. SCH remains committed to sound financial stewardship, operational transparency, and the responsible management of public and private funds. The initiatives implemented over the past year have not only stabilized SCH's financial condition but also positioned it to thrive amid the challenges facing rural healthcare. With ongoing attention to efficiency, workforce stability, and community need, SCH's leadership is confident that SCH will continue to deliver high-quality, accessible care while maintaining the fiscal integrity expected by auditors, regulators, and the public it serves.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Stephens County Hospital, Administration, 163 Hospital Drive, Toccoa, Georgia 30577.

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Balance Sheets
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 419,880	\$ 128,975
Current portion of funds held by trustee	26,592	21,159
Patient accounts receivable, net of estimated uncollectibles of \$16,718,000 in 2024 and \$17,479,000 in 2023	4,941,904	4,575,746
Estimated third-party payor settlements	85,518	267,273
Other receivables	1,139,707	670,555
Supplies, at lower of cost (first-in, first-out) or market	1,217,088	1,242,139
Prepaid expenses	<u>160,721</u>	<u>232,940</u>
Total current assets	<u>7,991,410</u>	<u>7,138,787</u>
Noncurrent cash and investments:		
Restricted for capital acquisition under indenture agreement	21	4,032
Held by trustee under indenture agreement	<u>26,592</u>	<u>21,159</u>
	26,613	25,191
Less amount required to meet current obligations	(<u>26,592</u>)	(<u>21,159</u>)
Total noncurrent cash and investments	<u>21</u>	<u>4,032</u>
Capital assets:		
Land	255,787	255,787
Construction-in-progress	94,694	34,512
Depreciable capital assets, net of accumulated depreciation	14,215,068	15,307,399
Intangible right-to-use lease assets and subscription IT assets, net of accumulated amortization	<u>969,494</u>	<u>1,570,310</u>
Total capital assets, net	<u>15,535,043</u>	<u>17,168,008</u>
Total assets	<u>\$ 23,526,474</u>	<u>\$ 24,310,827</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Balance Sheets, Continued
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ 1,048,399	\$ 990,000
Current maturities of lease and subscription IT liabilities	529,645	626,512
Accounts payable	14,081,198	15,595,126
Accrued expenses	3,154,046	2,983,782
Estimated third-party payor settlements	<u>186,794</u>	<u>-</u>
Total current liabilities	19,000,082	20,195,420
Long-term debt, net of current maturities	8,467,241	9,400,000
Lease and subscription IT liabilities, net of current maturities	<u>479,101</u>	<u>1,008,746</u>
Total liabilities	<u>27,946,424</u>	<u>30,604,166</u>
Net position:		
Net investment in capital assets	5,010,678	5,146,782
Restricted under indenture agreement	26,592	21,159
Unrestricted	<u>(9,457,220)</u>	<u>(11,461,280)</u>
Total net position	<u>(4,419,950)</u>	<u>(6,293,339)</u>
 Total liabilities and net position	 <u>\$ 23,526,474</u>	 <u>\$ 24,310,827</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Statements of Revenues, Expenses and Changes in Net Position
for the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$9,311,000 in 2024 and \$7,674,000 in 2023)	\$ 47,476,588	\$ 40,362,746
Other revenue	<u>2,231,658</u>	<u>1,657,142</u>
Total operating revenues	<u>49,708,246</u>	<u>42,019,888</u>
Operating expenses:		
Salaries and wages	22,784,441	21,769,467
Employee benefits	4,758,824	4,302,696
Professional fees	11,367,246	11,205,086
Supplies	6,345,475	6,198,864
Utilities	1,608,097	1,515,374
Repairs and maintenance	1,254,072	1,289,751
Depreciation and amortization	2,024,388	2,284,392
Insurance	1,646,605	1,295,885
Rent	<u>381,817</u>	<u>411,759</u>
Total operating expenses	<u>52,170,965</u>	<u>50,273,274</u>
Operating loss	(<u>2,462,719</u>)	(<u>8,253,386</u>)
Nonoperating revenues (expenses):		
Investment income	14,600	24,215
Interest expense	(557,595)	(503,644)
Provider Relief Fund grants	-	1,886,900
Employee retention tax credit	<u>4,879,103</u>	<u>-</u>
Total nonoperating revenues	<u>4,336,108</u>	<u>1,407,471</u>
Excess revenues (expenses)	1,873,389	(6,845,915)
Net position, beginning of year	(<u>6,293,339</u>)	<u>552,576</u>
Net position, end of year	\$(<u>4,419,950</u>)	\$(<u>6,293,339</u>)

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Statements of Cash Flows
for the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 47,478,979	\$ 39,871,604
Payments to employees	(27,373,068)	(24,917,418)
Payments to suppliers and contractors	(24,489,122)	(17,125,323)
Other receipts	<u>2,231,658</u>	<u>1,657,142</u>
Net cash used by operating activities	(<u>2,151,553</u>)	(<u>513,995</u>)
Cash flows from noncapital financing activities:		
Proceeds from short-term debt	725,000	930,708
Principal paid on short-term debt	(725,000)	(930,708)
Interest paid on short-term debt	(4,833)	(3,447)
Employee retention credit	<u>4,897,103</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>4,874,270</u>	(<u>3,447</u>)
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(990,000)	(960,000)
Interest paid on long-term debt	(514,655)	(459,626)
Principal paid on lease and subscription IT liabilities	(626,512)	(562,586)
Interest paid on lease and subscription IT liabilities	(38,040)	(67,659)
Proceeds from sale of capital asset	-	104,625
Purchase of capital assets	(<u>275,783</u>)	(<u>749,855</u>)
Net cash used by capital and related financing activities	(<u>2,444,990</u>)	(<u>2,695,101</u>)
Cash flows from investing activities:		
Investment income	<u>14,600</u>	<u>24,215</u>
Net cash provided by investing activities	<u>14,600</u>	<u>24,215</u>
Net increase (decrease) in cash and cash equivalents	292,327	(3,188,328)
Cash and cash equivalents, beginning of year	<u>154,166</u>	<u>3,342,494</u>
Cash and cash equivalents, end of year	\$ <u>446,493</u>	\$ <u>154,166</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Statements of Cash Flows, Continued
for the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents	\$ 419,880	\$ 128,975
Restricted for capital acquisition under indenture agreement	21	4,032
Held by trustee under indenture agreement	<u>26,592</u>	<u>21,159</u>
Total cash and cash equivalents	\$ <u>446,493</u>	\$ <u>154,166</u>
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating loss	\$(2,462,719)	\$(8,253,386)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	2,024,388	2,284,392
Provision for bad debts	9,311,411	7,673,979
Changes in:		
Patient accounts receivable	(9,677,569)	(7,769,492)
Estimated third-party payor settlements	368,549	(395,629)
Other receivables	(469,152)	(49,213)
Supplies	25,051	127,180
Prepaid expenses	72,219	(177,166)
Accounts payable	(1,513,928)	4,890,595
Accrued expenses	<u>170,197</u>	<u>1,154,745</u>
Net cash used by operating activities	\$(<u>2,151,553</u>)	\$(<u>513,995</u>)

Supplemental disclosures of cash flow information:

- The Authority entered into lease liabilities of approximately \$56,000 for new equipment in 2023.
- The Authority entered into subscription IT liabilities of approximately \$76,000 in 2023.
- The Authority financed equipment of approximately \$116,000 in 2024.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements
September 30, 2024 and 2023

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

Reporting Entity

The Hospital Authority of Stephens County, Georgia (Authority) is a public body corporate and politic organized under the Hospital Authorities Law of the State of Georgia. The Authority was established on September 6, 1949 by the Board of Commissioners of Stephens County, Georgia. The Authority is governed by a seven-member board of trustees appointed by the Stephens County Commissioners and Stephens County has guaranteed debt of the Authority. For these reasons, the Authority is considered to be a component unit of Stephens County, Georgia.

The Authority owns and operates Stephens County Hospital, which provides short-term inpatient, outpatient, and emergency care to residents of Stephens County and the surrounding area. The Authority also owns and operates two personal care facilities, Clary Care Center and Wilkinson Center (collectively, Personal Care Facilities).

Stephens County Hospital Physician Group, LLC (SCHPG) is a not-for-profit organization whose sole member is the Authority. SCHPG operations consist of employing physicians and contracts with the Authority to provide physician services. SCHPG is a blended component unit of the Authority.

Stephens County Emergency Physicians, Inc. (SCEP) is a not-for-profit organization whose sole member is the Authority. SCEP has not had any operations since February 1, 2017. SCEP is a blended component unit of the Authority.

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).

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

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

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 Uncollectible Accounts

The Authority provides an allowance for uncollectible 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.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets held by trustee under indenture agreement; and assets restricted for capital acquisition under indenture agreement. Amounts required to meet current liabilities of the Authority have been reclassified to current assets in the balance sheet.

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.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 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 \$2,500 with an estimated useful life of at least three years are capitalized. 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 the asset lives listed below. Leased assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. 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. Such amortization is included in depreciation and amortization in the financial statements.

Land improvements	5 to 25 Years
Buildings and building improvements	5 to 40 Years
Equipment, computers and furniture	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 incurred in connection with the issuance of bonds and notes are expensed in the period incurred.

Compensated Absences

The Authority's employees earn paid time off (PTO) at varying rates depending on years of service. PTO hours accumulate and may be carried over to the next year. However, an employee's PTO accrual may not exceed 240 hours. An employee may receive a pay out of PTO hours, subject to certain restrictions. Employees are also entitled to have their accrued PTO paid at the time of termination. The estimated amount of PTO payable is reported as a current liability in both 2024 and 2023.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 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* is noncapital assets reduced by liabilities related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 9. *Unrestricted net position* is the remaining net amount of assets and liabilities that do not meet the definition of *net investment in capital assets* or the *restricted net position*.

Operating Revenues and Expenses

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

Grants and Contributions

From time to time, the Authority receives grants from Stephens 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. See Note 16 for additional information regarding Provider Relief Fund grants.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 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.

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.

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 and for the deductible portion of its general and professional liability insurance policy as discussed in Note 12.

Income Taxes

The Authority is a governmental entity and has been recognized as tax-exempt under the Internal Revenue Code. Accordingly, no provision for income taxes has been provided.

SCHPG and SCEP are not-for-profit organizations that have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

SCHPG and SCEP apply accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, SCHPG and SCEP only recognize the maximum benefit of each income tax position that is more than 50% likely to being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

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

Income Taxes, Continued

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of September 30, 2024 and 2023 or for the years then ended. SCHPG and SCEP's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Estimated Malpractice and Other Self-Insurance Costs

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

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 assets 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 September 30, 2024 and 2023.

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 the financial statements.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2023 financial statements to conform to the fiscal year 2024 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

2. Net Patient Service Revenue

The Authority has arrangements 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.

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 Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

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

- Medicare

The Authority has received Medicare dependent hospital (MDH) classification from Medicare. As an MDH, inpatient services rendered to Medicare program beneficiaries are paid at a blend of a hospital specific rate and a prospectively determined rate per discharge. The hospital specific rate is calculated for a base period and adjusted annually by an updating factor. The prospectively determined rate per discharge varies according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The inpatient services and certain other reimbursable items are paid 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 September 30, 2021. Revenue from the Medicare program accounted for approximately 49% and 47% of the Authority's net patient service revenue for the years ended September 30, 2024 and 2023, respectively.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

2. Net Patient Service Revenue, Continued

- Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per admission. Outpatient services are generally paid 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 settled by the Medicaid fiscal intermediary through September 30, 2021. Revenue from the Medicaid program accounted for approximately 13% and 20% of the Authority's net patient service revenue for the years ended September 30, 2024 and 2023, respectively.

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

The Authority participates in the 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 \$2,420,000 and \$3,174,000 for the years ended September 30, 2024 and 2023, respectively. The balance sheet reflects a receivable of approximately \$1,071,000 and \$579,000 at September 30, 2024 and 2023, respectively related to SFY 2024 payments and adjustments made to the 2023 ICTF payments.

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 \$406,000 and \$333,000 for the years ended September 30, 2024 and 2023, respectively. The balance sheet reflects a receivable of approximately \$68,000 and \$92,000 related to SFY 2024 and SFY 2023 payments, respectively.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

Hospitals in Georgia are assessed a “provider payment” in the amount of 1.45% of their net patient revenue. The provider payments are due on a quarterly basis to the State of Georgia. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in a corresponding increase in Medicaid payments for hospital services of approximately 11.88%. The Authority expensed provider payments of approximately \$441,000 and \$424,000 in 2024 and 2023, respectively. The expense amounts are included in supplies in the accompanying statements of revenues, expenses and changes in net position.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately \$-0- and \$113,000 during 2024 and 2023, respectively.

- Uninsured

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, the calculation of the discount for patients qualified for a partial charity care adjustment will be based on the Authority’s Medicare reimbursement rate (or amounts generally billed to individuals who have insurance coverage, or AGB). This discount is updated annually when new rates are received. AGB is calculated by reviewing claims that have been paid in full for medically necessary care by the Authority’s three best insurance payers. The Authority provides services without charge or at amounts less than its established rates to patients that are approved under the FAP. Patient household income in relation to the federal poverty guidelines and certain special circumstances criteria are included in the determination of qualification.

- Other Arrangements

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

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

3. Uncompensated Care

The Authority was compensated for services at amounts less than its established rates (gross patient charges).

Uncompensated care includes charity and indigent care services of approximately \$789,000 and \$410,000 in 2024 and 2023, respectively. The cost of charity and indigent care services provided during 2024 and 2023 were approximately \$303,000 and \$183,000, 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	\$ <u>135,650,053</u>	\$ <u>112,491,519</u>
Uncompensated services:		
Medicare	45,656,565	41,193,674
Medicaid	6,512,390	5,673,708
Insurance	25,904,183	17,177,517
Charity/indigent	788,916	409,895
Bad debts	<u>9,311,411</u>	<u>7,673,979</u>
Total uncompensated care	<u>88,173,465</u>	<u>72,128,773</u>
Net patient service revenue	\$ <u>47,476,588</u>	\$ <u>40,362,746</u>

4. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. State law requires collateralization of all deposits with federal depository insurance (FDIC) and other acceptable collateral in specific amounts. The Authority's deposits are secured by FDIC, collateral posted by financial institutions, and the Georgia Secure Deposit Program. As of September 30, 2024 and 2023, the Authority's deposits were entirely insured or collateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investments are held in the Authority's name by a custodial bank that is the agent of the Authority.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

4. Deposits and Investments, Continued

Interest Rate Risks

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority's held by trustee funds are invested in a money market fund with a weighted average maturity of 42 days at September 30, 2024 and 41 days at September 30, 2023.

Credit Risk

The Authority's money market investment carried a rating of AAAM by Standard & Poor's at both September 30, 2024 and 2023.

The carrying amounts of deposits and investments are included in the Authority's balance sheet as follows:

	<u>2024</u>	<u>2023</u>
Deposits	\$ 419,901	\$ 133,007
Investments	<u>26,592</u>	<u>21,159</u>
Total	\$ <u>446,493</u>	\$ <u>154,166</u>

Included in the following balance sheet captions:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 419,880	\$ 128,975
Noncurrent cash and investments:		
Restricted for capital acquisition under indenture agreement	21	4,032
Held by trustee under indenture agreement	<u>26,592</u>	<u>21,159</u>
Total	\$ <u>446,493</u>	\$ <u>154,166</u>

The Authority's investments consist of a money market fund. The fair value of the money market fund is measured using Level 1 inputs.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 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 at September 30, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	<u>2023</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 11,009,163	\$ 10,100,872
Receivable from Medicare	8,123,832	9,363,886
Receivable from Medicaid	<u>2,526,767</u>	<u>2,590,443</u>
Total patient accounts receivable	21,659,762	22,055,201
Less allowance for uncollectible amounts	<u>16,717,858</u>	<u>17,479,455</u>
Patient accounts receivable, net	\$ <u>4,941,904</u>	\$ <u>4,575,746</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 3,056,955	\$ 2,875,753
Payable to suppliers	13,409,584	14,997,513
Accrued interest payable	97,091	108,029
Patient refunds	<u>671,614</u>	<u>597,613</u>
Total accounts payable and accrued expenses	\$ <u>17,235,244</u>	\$ <u>18,578,908</u>

6. Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	26%	35%
Medicaid	23%	13%
Blue Cross	21%	15%
Other third-party payors	24%	30%
Patients	<u>6%</u>	<u>7%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

7. Capital Assets

Capital asset additions, retirements, and balances for the years ended September 30, 2024 and 2023 were as follows:

	Balance September 30, <u>2023</u>	<u>Additions</u>	Transfers/ <u>Retirements</u>	Balance September 30, <u>2024</u>
Land	\$ 255,787	\$ -	\$ -	\$ 255,787
Construction-in-progress	34,512	77,728	(17,546)	94,694
Land improvements	1,804,172	-	-	1,804,172
Buildings	35,303,475	49,638	-	35,353,113
Equipment	<u>37,477,091</u>	<u>264,057</u>	<u>17,546</u>	<u>37,758,694</u>
Totals at historical cost	<u>74,875,037</u>	<u>391,423</u>	<u>-</u>	<u>75,266,460</u>
Less accumulated depreciation for:				
Land improvements	(1,435,389)	(37,857)	-	(1,473,246)
Buildings	(22,533,900)	(818,312)	-	(23,352,212)
Equipment	<u>(35,308,050)</u>	<u>(567,403)</u>	<u>-</u>	<u>(35,875,453)</u>
Total accumulated depreciation	<u>(59,277,339)</u>	<u>(1,423,572)</u>	<u>-</u>	<u>(60,700,911)</u>
Capital assets, net	<u>15,597,698</u>	<u>(1,032,149)</u>	<u>-</u>	<u>14,565,549</u>
Leased equipment	1,547,260	-	-	1,547,260
Less accumulated amortization for leased equipment	(794,514)	(310,314)	-	(1,104,828)
Intangible right-to-use lease assets, net	<u>752,746</u>	(310,314)	-	<u>442,432</u>
Subscription IT assets	1,340,921	-	-	1,340,921
Less accumulated amortization for subscription IT assets	(523,357)	(290,502)	-	(813,859)
Intangible right-to-use subscription IT assets, net	<u>817,564</u>	(290,502)	-	<u>527,062</u>
Total capital assets, net	<u>\$ 17,168,008</u>	<u>\$ (1,632,965)</u>	<u>\$ -</u>	<u>\$ 15,535,043</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

7. Capital Assets, Continued

	Balance September 30, <u>2022</u>	<u>Additions</u>	Transfers/ <u>Retirements</u>	Balance September 30, <u>2023</u>
Land	\$ 350,787	\$ -	\$(95,000)	\$ 255,787
Construction-in-progress	3,375	31,137	-	34,512
Land improvements	1,804,172	-	-	1,804,172
Buildings	35,303,475	-	-	35,303,475
Equipment	<u>36,788,990</u>	<u>688,101</u>	<u>-</u>	<u>37,477,091</u>
Totals at historical cost	<u>74,250,799</u>	<u>719,238</u>	<u>(95,000)</u>	<u>74,875,037</u>
Less accumulated depreciation for:				
Land improvements	(1,389,243)	(46,146)	-	(1,435,389)
Buildings	(21,709,778)	(824,122)	-	(22,533,900)
Equipment	<u>(34,482,754)</u>	<u>(825,296)</u>	<u>-</u>	<u>(35,308,050)</u>
Total accumulated depreciation	<u>(57,581,775)</u>	<u>(1,695,564)</u>	<u>-</u>	<u>(59,277,339)</u>
Capital assets, net	<u>16,669,024</u>	<u>(976,326)</u>	<u>(95,000)</u>	<u>15,597,698</u>
Leased equipment	1,621,613	44,970	(119,323)	1,547,260
Less accumulated amortization for leased equipment	<u>(601,990)</u>	<u>(311,847)</u>	<u>119,323</u>	<u>(794,514)</u>
Intangible right-to-use lease assets, net	<u>1,019,623</u>	<u>(266,877)</u>	<u>-</u>	<u>752,746</u>
Subscription IT assets	1,232,758	108,163	-	1,340,921
Less accumulated amortization for subscription IT assets	<u>(246,376)</u>	<u>(276,981)</u>	<u>-</u>	<u>(523,357)</u>
Intangible right-to-use subscription IT assets, net	<u>986,382</u>	<u>(168,818)</u>	<u>-</u>	<u>817,564</u>
Total capital assets, net	<u>\$ 18,675,029</u>	<u>\$(1,412,021)</u>	<u>\$(95,000)</u>	<u>\$ 17,168,008</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

8. Short-Term Debt

A summary of the Authority's short-term debt at September 30, 2024 and 2023 follows:

	Balance September 30, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2024</u>
Direct borrowing:				
Noncapital promissory note	\$ <u>-</u>	\$ <u>725,000</u>	\$(<u>725,000</u>)	\$ <u>-</u>
	Balance September 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2023</u>
Direct borrowing:				
Noncapital promissory note	\$ <u>-</u>	\$ <u>930,708</u>	\$(<u>930,708</u>)	\$ <u>-</u>

- Noncapital promissory note with a variable interest rate. Interest due monthly and principal due at maturity. The promissory note contains a provision that upon default the lender may declare outstanding obligations immediately due and payable. The debt was paid off in May of 2023.
- Noncapital promissory note with a variable interest rate. Interest due monthly and principal due at maturity. The promissory note contains a provision that upon default the lender may declare outstanding obligations immediately due and payable. The debt was paid off in December 2023.

9. Long-Term Debt

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

	Balance September 30, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2024</u>	Amounts Due Within One <u>Year</u>
Direct borrowings/ placements:					
Series 2017A	\$ 6,540,000	\$ -	\$(635,000)	\$ 5,905,000	\$ 640,000
Series 2017B	3,850,000	-	(355,000)	3,495,000	390,000
Note payable	<u>-</u>	<u>115,640</u>	<u>-</u>	<u>115,640</u>	<u>18,399</u>
Total long-term debt	\$ <u>10,390,000</u>	\$ <u>115,640</u>	\$(<u>990,000</u>)	\$ <u>9,515,640</u>	\$ <u>1,048,399</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

9. Long-Term Debt, Continued

	Balance September 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2023</u>	Amounts Due Within One <u>Year</u>
Direct borrowings/ placements:					
Series 2017A	\$ 7,165,000	\$ -	\$(625,000)	\$ 6,540,000	\$ 635,000
Series 2017B	<u>4,185,000</u>	<u>-</u>	<u>(335,000)</u>	<u>3,850,000</u>	<u>355,000</u>
Total long-term debt	\$ <u>11,350,000</u>	\$ <u>-</u>	\$ <u>(960,000)</u>	\$ <u>10,390,000</u>	\$ <u>990,000</u>

The terms and due dates of the Authority's long-term debt at September 30, 2024 and 2023, follow:

- Series 2017A Certificates - \$9,500,000 Revenue Anticipation Certificates, Series 2017A, interest at 3.25%, principal maturing in varying annual amounts, due July 2032, secured by a pledge of the Authority's gross revenues. The Series 2017A Certificates contain a provision that in an event of default, the owners of more than 50% of the principal amount outstanding may declare the bonds due and payable immediately.
- Series 2017B Certificates - \$5,500,000 Revenue Anticipation Certificates, Federally Taxable Series 2017B, interest at 4.73%, principal maturing in varying annual amounts, due July 2032, secured by a pledge of the Authority's gross revenues. The Series 2017B Certificates contain a provision that in an event of default, the owners of more than 50% of the principal amount outstanding may declare the bonds due and payable immediately.
- Financed equipment - at 8.7% interest, collateralized by equipment with a cost of \$115,640 at September 30, 2024.

In June 2017, the Authority issued \$9,500,000 Revenue Anticipation Certificates, Series 2017A (Series 2017A) and \$5,500,000 Revenue Anticipation Certificates, Federally Taxable Series 2017B (Series 2017B) (collectively, Series 2017 Certificates). The proceeds of the Series 2017 Certificates were used for the purpose of refunding the Series 2006 Certificates, refinancing a term loan, and financing the costs of adding to, extending, improving, and equipping the Authority's existing hospital and related facilities. The refunding of the Series 2006 Certificates resulted in a decrease of total cash flows required to service the debt by approximately \$359,000 over the remaining life of the bonds and an economic gain of approximately \$138,000.

Under the terms of the Series 2017 Certificates, the Authority is required to make monthly deposits of at least one-twelfth of the principal and interest becoming due each January and July to a sinking fund. The Authority was not in compliance with this schedule during fiscal years 2024 or 2023. Such deposits are included in the balance sheet as held by trustee under indenture agreement.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

9. Long-Term Debt, Continued

Under the terms of an Intergovernmental Contract entered into simultaneously with the issuance of the Series 2017 Certificates, Stephens County agreed to provide funds to meet the annual principal and interest payments on the bonds should the Authority have insufficient funds in the sinking fund to make such payments. No such payments were made by Stephens County in 2024 or 2023.

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

Year Ending <u>September 30,</u>	<u>Direct Borrowings/Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,048,399	\$ 366,756
2026	1,092,690	325,649
2027	1,129,737	282,833
2028	1,171,969	238,547
2029	1,217,845	192,630
2030-2032	<u>3,855,000</u>	<u>296,346</u>
Total	\$ <u>9,515,640</u>	\$ <u>1,702,761</u>

10. 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 STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

10. 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 the subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, adjusted for payments made at or before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription IT asset is amortized on a straight-line basis over its useful life.

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

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

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

10. Leases and Subscription IT Liabilities, Continued

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

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

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

Expenses for the leasing activity of the Authority as the lessee for the years ended September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Short-term lease expense	\$ 381,817	\$ 411,759
Right-to-use lease asset amortization	310,314	311,847
Lease liability interest expense	<u>19,961</u>	<u>28,737</u>
Total lease cost	\$ <u>712,092</u>	\$ <u>752,343</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 September 30, 2024 and 2023 are as follows

	<u>2024</u>	<u>2023</u>
Short-term SBITA expense	\$ 98,995	\$ 295,292
Right-to-use subscription IT asset amortization	290,502	276,981
Subscription IT liability interest expense	<u>25,170</u>	<u>31,622</u>
Total subscription cost	\$ <u>414,667</u>	\$ <u>603,895</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

10. Leases and Subscription IT Liabilities, Continued

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

	<u>2023 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024 Balance</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 796,101	\$ -	\$ (328,883)	\$ 467,218	\$ 219,679
Subscription IT liabilities	<u>839,157</u>	<u>-</u>	<u>(297,629)</u>	<u>541,528</u>	<u>309,966</u>
Total lease and subscription IT liabilities	\$ <u>1,635,258</u>	\$ <u>-</u>	\$ <u>(626,512)</u>	\$ <u>1,008,746</u>	\$ <u>529,645</u>
	<u>Restated 2022 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023 Balance</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 1,046,258	\$ 55,977	\$ (306,134)	\$ 796,101	\$ 328,883
Subscription IT liabilities	<u>1,019,445</u>	<u>76,164</u>	<u>(256,452)</u>	<u>839,157</u>	<u>297,629</u>
Total lease and subscription IT liabilities	\$ <u>2,065,703</u>	\$ <u>132,141</u>	\$ <u>(562,586)</u>	\$ <u>1,635,258</u>	\$ <u>626,512</u>

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

<u>Year Ending September 30,</u>	<u>Lease Liabilities</u>		<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 219,679	\$ 11,377	\$ 309,966	\$ 17,511
2026	107,027	6,284	231,562	6,651
2027	59,844	3,694	-	-
2028	56,346	1,729	-	-
2029	<u>24,322</u>	<u>355</u>	<u>-</u>	<u>-</u>
Total	\$ <u>467,218</u>	\$ <u>23,439</u>	\$ <u>541,528</u>	\$ <u>24,162</u>

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

11. Employee Retirement Plan

The Authority provides retirement benefits for its employees through the Stephens County Hospital Defined Contribution Plan (Plan). The Plan is administered by Milliman, Inc. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Trustees. Employees are eligible on the first day of each Plan quarter immediately following or coincident with their employment date. The Authority may make discretionary nonelective contributions to the Plan. Employees are vested in the Authority's contributions based on a 3-year grade beginning with the third year of employment. Plan forfeitures reduce the Authority's nonelective contributions. The Authority made contributions of approximately \$184,000 and \$196,000 to the Plan in 2024 and 2023, respectively.

12. Insurance Arrangements

Liability Insurance

The Authority has claims-made insurance coverage for professional liability and general liability. The insurance policies have limits of \$1,000,000 per claim and \$3,000,000 annual aggregate. The Authority's deductible is \$50,000 for individual claims or \$200,000 annual aggregate. The Authority also has an umbrella policy with a limit of \$3,000,000 per claim and \$3,000,000 annual aggregate.

Employee Health Insurance

The Authority has a self-insured health plan for its employees. The Authority has purchased stop loss insurance to supplement the health plan, which will reimburse the Authority for individual claims in excess of \$95,000 annually. The Authority incurred expenses related to this plan of approximately \$2,878,000 and \$2,469,000 for the years ended September 30, 2024 and 2023, respectively. Estimated accruals for claims incurred but not reported have been recorded in accrued expenses in the balance sheet. Estimated accruals were approximately \$1,814,000 and \$1,163,000 at September 30, 2024 and 2023, respectively.

13. Commitments and Contingencies

Litigation

The Authority is subject to litigation and regulatory investigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Authority's future financial position or results from operations.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

13. Commitments and Contingencies, Continued

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 Services, 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.

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 certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

14. Stephens County Contributions and Management Fees

In 2017, the Authority and Stephens County entered into an Intergovernmental Contract (IC). Under the IC, Stephens County shall annually pay the Authority seven-tenths (7/10) of one mill of the county's tax digest for indigent care. The IC continues until July 2032. The Authority received payments of approximately \$522,000 and \$456,000 under the IC in 2024 and 2023, respectively. The payments are reported in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

The Authority and Stephens County entered into Agreements whereby Stephens County would pay the Authority a management fee for managing the provision of emergency medical services in Stephens County. The latest Agreement was entered into in July 2024 and has a term of five years. The management fee will be adjusted in each subsequent year by the Consumer Price Index. The Authority received management fees of approximately \$1,062,000 and \$826,000 under these Agreements in 2024 and 2023, respectively. The management fees are reported in other revenue in the accompanying statements of revenues, expenses, and changes in net position.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

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 were approximately \$909,000 and \$575,000 during fiscal years 2024 and 2023, respectively. Recognized revenue is reported as other revenue in the statements of revenues, expenses, and changes in net position. The Authority will have to be approved by the State to participate in the program in each subsequent year.

16. Coronavirus (COVID-19)

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

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 (HHS) 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 healthcare 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 \$-0- and recognized approximately \$1,887,000 in provider relief fund grant revenue in fiscal year 2023. The grant funding may be subject to audits.

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

16. Coronavirus (COVID-19), Continued

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

The CARES Act also provided for an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 for qualified wages per employee through December 31, 2021. The Authority qualified for the tax credits under the CARES Act and filed Forms 941-X Adjusted Employer's Quarterly Federal Tax Return of Claim for Refund for the eligible quarters. The Authority received refunds of approximately \$4,879,000, net of related expenses, during 2024, and has recognized the refunds in nonoperating revenues. The ECR may be subject to IRS examination. While the Authority currently believes it qualified to receive the tax credits, there is a possibility payments could be recouped based on IRS examination results.

17. Management's Plan

As reported in the accompanying financial statements, the Authority reported an operating loss of \$(2,462,719) and \$(8,253,386) in 2024 and 2023, respectively. The Authority had a net position of \$(4,419,950) and \$(6,293,339) as of September 30, 2024 and 2023, respectively.

Management's plan to improve the Authority's financial position is as follows:

Revenue Enhancement

The Authority is continuing to enhance certain service lines as well as develop new services to increase revenue. The following strategies have been implemented or are being considered:

- Expansion of cardiology services
- Enhancements to the hospitalist program
- Addition of inpatient renal dialysis services
- Securing additional grant funding
- Pursuing additional Rural Hospital Tax Credit contributions
- Applying for the Employee Retention Tax Credit

Continued

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

Notes to Financial Statements, Continued
September 30, 2024 and 2023

17. Management's Plan, Continued

Cost Controls

Management continues to monitor all expenses and continues to explore opportunities to optimize, reduce, replace or simply not renew existing contracts. The following strategies have been implemented or are being considered:

- Increasing the focus on nurse-to-patient ratio to maximize use of staffing
- Renegotiating existing EMS agreement with the County.

Assess New Opportunities

Management is evaluating future opportunities for expansion of services, operational improvements and other opportunities. The following opportunities are being evaluated:

- Introduce weekend coverage for MRI and echocardiogram services
- Increased surgical availability
- Financial viability of ancillary services
- Rebranding opportunities for the Authority
- Strategic partnership opportunities for service line support

SUPPLEMENTAL SCHEDULE

HOSPITAL AUTHORITY OF STEPHENS COUNTY, GEORGIA
(A Component Unit of Stephens County, Georgia)

COMBINING SCHEDULE OF REVENUES AND EXPENSES
for the years ended September 30, 2024 and 2023

	Stephens County Hospital		Personal Care Facilities		Stephens County Hospital Physician Group		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Operating revenues:								
Net patient service revenue	\$ 35,797,133	\$ 30,053,138	\$ 2,854,739	\$ 2,582,932	\$ 8,824,716	\$ 7,726,676	\$ 47,476,588	\$ 40,362,746
Other revenue	<u>2,379,722</u>	<u>1,799,606</u>	<u>(148,064)</u>	<u>(142,464)</u>	<u>-</u>	<u>-</u>	<u>2,231,658</u>	<u>1,657,142</u>
Total operating revenues	<u>38,176,855</u>	<u>31,852,744</u>	<u>2,706,675</u>	<u>2,440,468</u>	<u>8,824,716</u>	<u>7,726,676</u>	<u>49,708,246</u>	<u>42,019,888</u>
Operating expenses:								
Salaries and wages	17,393,154	16,646,176	1,722,778	1,559,728	3,668,509	3,563,563	22,784,441	21,769,467
Employee benefits	4,742,085	4,297,149	80	229	16,659	5,318	4,758,824	4,302,696
Professional fees	8,041,478	7,666,458	130,885	137,312	3,194,883	3,401,316	11,367,246	11,205,086
Supplies	5,854,634	5,587,983	241,740	243,296	249,101	367,585	6,345,475	6,198,864
Utilities	1,376,368	1,307,485	201,043	178,907	30,686	28,982	1,608,097	1,515,374
Repairs and maintenance	1,215,153	1,215,083	28,549	51,636	10,370	23,032	1,254,072	1,289,751
Depreciation and amortization	1,872,024	2,130,304	152,364	154,088	-	-	2,024,388	2,284,392
Insurance	1,586,519	1,258,354	-	-	60,086	37,531	1,646,605	1,295,885
Rent	<u>328,821</u>	<u>368,309</u>	<u>-</u>	<u>-</u>	<u>52,996</u>	<u>43,450</u>	<u>381,817</u>	<u>411,759</u>
Total operating expenses	<u>42,410,236</u>	<u>40,477,301</u>	<u>2,477,439</u>	<u>2,325,196</u>	<u>7,283,290</u>	<u>7,470,777</u>	<u>52,170,965</u>	<u>50,273,274</u>
Operating gain (loss)	<u>(4,233,381)</u>	<u>(8,624,557)</u>	<u>229,236</u>	<u>115,272</u>	<u>1,541,426</u>	<u>255,899</u>	<u>(2,462,719)</u>	<u>(8,253,386)</u>
Nonoperating revenues (expenses):								
Investment income	14,600	24,215	-	-	-	-	14,600	24,215
Interest expense	(557,595)	(503,644)	-	-	-	-	(557,595)	(503,644)
Provider Relief Fund grants	-	1,886,900	-	-	-	-	-	1,886,900
Employee retention tax credit	<u>4,879,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,879,103</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>4,336,108</u>	<u>1,407,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,336,108</u>	<u>1,407,471</u>
Excess revenues (expenses)	<u>\$ 102,727</u>	<u>\$ (7,217,086)</u>	<u>\$ 229,236</u>	<u>\$ 115,272</u>	<u>\$ 1,541,426</u>	<u>\$ 255,899</u>	<u>\$ 1,873,389</u>	<u>\$ (6,845,915)</u>

See independent auditor's report