EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

FINANCIAL STATEMENTS

for the years ended June 30, 2024 and 2023

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Draffin Tucker

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Emanuel County Hospital Authority
Swainsboro, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Emanuel County Hospital Authority, a component unit of Emanuel County, Georgia, which comprise the balance sheets as of June 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 Emanuel County Hospital Authority as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Emanuel County Hospital 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.

Continued

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Emanuel County Hospital Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Emanuel County Hospital 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 Emanuel County Hospital Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Continued

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Emanuel County Hospital Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emanuel County Hospital Authority's internal control over financial reporting and compliance.

DRAFFIN + TUCKER, LLP

Albany, Georgia
October 22, 2024

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

BALANCE SHEETS
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,822,026	$ 3,195,887
Certificate of deposit	2,500,000	2,500,000
Patient accounts receivable, net of estimated uncollectibles and contractual allowances of approximately $18,004,000 in 2024 and $19,936,000 in 2023	7,485,943	6,843,717
Supplies, at lower of cost (first-in, first-out) or market	703,776	651,213
Estimated third-party payor settlements	75,000	196,081
Other current assets	1,723,364	933,310
Total current assets	14,310,109	14,320,208
Noncurrent cash and cash equivalents:		
Externally restricted for debt reserve	121,434	92,990
Capital assets:		
Non-depreciable	727,270	747,860
Depreciable, net of accumulated depreciation	14,388,076	14,276,791
Intangible right-to-use lease assets, net of accumulated amortization	1,095,261	1,552,099
Intangible right-to-use subscription assets, net of accumulated amortization	2,625,339	2,434,557
Total capital assets, net	18,835,946	19,011,307
Total assets	$ 33,267,489	$ 33,424,505

Continued

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

BALANCE SHEETS, Continued
June 30, 2024 and 2023

	2024	2023
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	$ 153,172	$ 159,744
Current maturities of lease liabilities	389,199	601,617
Current maturities of subscription liabilities	485,467	378,693
Accounts payable	2,406,906	2,529,822
Accrued expenses	3,388,905	2,297,833
Estimated third-party payor settlements	466,460	-
Total current liabilities	7,290,109	5,967,709
Long-term debt, net of current maturities	1,455,096	1,654,914
Lease liabilities, net of current maturities	663,150	986,875
Subscription liabilities, net of current maturities	2,171,505	2,113,463
Total liabilities	11,579,860	10,722,961
Net position:		
Net investment in capital assets	13,639,791	13,208,991
Unrestricted	8,047,838	9,492,553
Total net position	21,687,629	22,701,544
Total liabilities and net position	$ 33,267,489	$ 33,424,505

See accompanying notes to financial statements.

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
for the years ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately $14,136,000 in 2024 and $11,353,000 in 2023)	$ 40,508,134	$ 37,385,991
Other revenue	1,213,933	1,135,574
Total operating revenues	41,722,067	38,521,565
Operating expenses:		
Salaries and wages	22,354,189	20,034,086
Employee health and welfare	5,068,921	3,815,866
Medical supplies and drugs	3,806,048	3,559,412
Professional fees	5,007,438	4,364,935
Purchased services	1,602,538	2,396,242
Other	4,459,329	4,369,325
Depreciation and amortization	2,528,608	2,351,077
Total operating expenses	44,827,071	40,890,943
Operating loss	(3,105,004)	(2,369,378)
Nonoperating revenues (expenses):		
Investment income	89,477	40,796
Interest expense	(222,807)	(350,993)
Contributions restricted for debt service	-	1,873,131
Noncapital grants, contributions and other	1,100,222	793,835
Grant stimulus funding	-	50,549
Employee retention credit	-	1,754,411
Total nonoperating revenues	966,892	4,161,729
Excess revenues (expenses)	(2,138,112)	1,792,351
Capital contributions	1,124,197	-
Increase (decrease) in net position	(1,013,915)	1,792,351
Net position, beginning of year	22,701,544	20,909,193
Net position, end of year	$ 21,687,629	$ 22,701,544

See accompanying notes to financial statements.

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 40,240,426	$ 36,331,851
Payments to vendors and other suppliers	(14,589,301)	(12,759,212)
Payments to employees	(26,431,584)	(24,038,890)
Other revenues	1,213,933	1,135,574
Net cash provided by operating activities	433,474	669,323
Cash flows from noncapital financing activities:		
Grant stimulus funding	-	50,549
Noncapital grants and contributions	1,072,772	793,835
Employee retention credit	-	1,754,411
Net cash provided by noncapital financing activities	1,072,772	2,598,795
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(206,390)	(1,959,981)
Principal paid on lease liabilities	(688,543)	(751,351)
Principal paid on subscription liabilities	(527,735)	(366,748)
Interest paid	(197,774)	(291,161)
Purchase of capital assets	(1,953,887)	(677,149)
Capital grants and contributions	633,189	-
Contributions restricted for debt service	-	1,873,131
Net cash used by capital and related financing activities	(2,941,140)	(2,173,259)
Cash flows from investing activities:		
Purchase of certificate of deposit	-	(2,500,000)
Investment income	89,477	40,796
Net cash provided (used) by investing activities	89,477	(2,459,204)
Net decrease in cash and cash equivalents	(1,345,417)	(1,364,345)
Cash and cash equivalents, beginning of year	3,288,877	4,653,222
Cash and cash equivalents, end of year	$ 1,943,460	$ 3,288,877

Continued

EMANUEL COUNTY HOSPITAL AUTHORITY
(A Component Unit of Emanuel County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2024 and 2023

	2024	2023
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 1,822,026	$ 3,195,887
Restricted cash and cash equivalents in noncurrent assets	121,434	92,990
Total cash and cash equivalents	$ 1,943,460	$ 3,288,877
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$(3,105,004)	$(2,369,378)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	2,528,608	2,351,077
Provision for bad debts	14,136,166	11,353,144
Changes in:		
Patient accounts receivable	(14,778,392)	(13,099,649)
Estimated third-party payor settlements	587,541	446,768
Supplies	(52,563)	22,617
Other current assets	(299,046)	959,775
Accounts payable	322,675	678,267
Accrued expenses	1,093,489	326,702
Net cash provided by operating activities	$ 433,474	$ 669,323

Supplemental disclosures of cash flow information:

- Purchases of capital assets in accounts payable as of June 30, 2024 and 2023 were $25,637 and $445,939, respectively.
- The Authority entered into lease obligations of $149,336 and $871,707 for new equipment in 2024 and 2023, respectively.
- The Authority entered into subscription-based information technology arrangements of $677,276 and $4,850 in 2024 and 2023, respectively.

See accompanying notes to financial statements.

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

Reporting Entity

The Emanuel County Hospital Authority (Authority) is a public corporation which operates Emanuel Medical Center, an acute care hospital licensed for 72 beds. In addition to the Hospital, the Authority operates a 49 bed skilled nursing facility, a 15 bed geriatric psychiatric unit and various rural health clinics and physician office practices. The Authority is comprised of a board of directors, which has the right to approve major expenditures and long-term borrowings.

The Board of County Commissioners of Emanuel County, Georgia nominates for appointment all non-physician Authority board members, and guarantees the 2012 Refunding Revenue Anticipation Certificates. For these reasons, the Authority is considered a component unit of Emanuel County, Georgia.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents

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

Certificate of Deposit

The Authority’s certificate of deposit is carried at amortized cost, which approximates fair value, with an original term of one year.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include cash deposit accounts externally restricted for debt reserve funds.

Continued

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

Allowance for Doubtful Accounts

The Authority provides an allowance for doubtful accounts based on an evaluation of the overall collectibility of the accounts receivable. As accounts are known to be uncollectible, the accounts are charged to deductions from revenue and bad debt expense.

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. Amortization of lease and subscription assets is included in depreciation and amortization in the accompanying financial statements. The provision for depreciation and amortization is computed on the straight-line method using the estimated useful lives of the respective assets as follows:

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	3 to 10 Years
Right-to-use subscription assets	3 to 9 Years

Costs of Borrowing

Interest cost on borrowed funds during the period of construction of capital assets is expensed in the period in which the cost is incurred.

Financing Cost

Financing costs are expensed in the period in which they are incurred.

Leases

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 the shorter of the lease term or estimated useful life of the underlying lease asset.

Continued

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

Leases, Continued

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

- The Authority uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

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

Subscription-Based Information Technology Arrangements

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

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 liability is included in interest expense in the financial statements.

Continued

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

Subscription-Based Information Technology Arrangements, Continued

- The subscription term includes the noncancellable period. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and other payments that are reasonably certain of being required.

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

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

- Preliminary Project Stage - Outlays are expensed as incurred.

- Initial Implementation Stage - Outlays are generally capitalized as an addition to the subscription asset.

- Operation and Additional Implementation Stage - Outlays are expensed as incurred unless specific capitalization criteria is met.

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

Grants and Contributions

From time to time, the Authority receives contributions from Emanuel County and grants from the State of Georgia and other agencies in addition to 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 as an increase in net position. See Note 19 for information regarding grant stimulus funding.

Continued

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 amortization 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. *Unrestricted net position* is the remaining net amount of assets, deferred outflow of resources, and liabilities that do not meet the definition of *net investment in capital assets* or *restricted net position*.

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Compensated Absences

The Authority's employees earn paid time off, which is comprised of vacation, sick, and holiday benefits at varying rates depending on years of service and are allowed to accumulate up to a specified maximum. Paid time off in excess of the specified maximum is forfeited. Employees terminating their employment may be entitled to payment for earned but unused paid time off. The estimated paid time off accrual is reported in accrued expenses on the Authority's balance sheets in both 2024 and 2023.

Continued

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.

Income Taxes

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

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health 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 effective January 1, 2023, as discussed in Note 12, and is partially self-insured for medical malpractice claims and judgments, as discussed in Note 13.

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2024 and 2023.

Continued

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

Accounting Pronouncement Not Yet Adopted

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

2. Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. The Authority does not believe that there are any significant credit risks associated with receivables due from third-party payors.

Revenue from the Medicare and Medicaid programs accounted for approximately 41% and 16%, respectively, of the Authority's net patient revenue for the year ended 2024 and 48% and 25%, respectively, of the Authority's net patient revenue for the year ended 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding and billing appropriateness.

The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

- Medicare

  Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain other reimbursable items are reimbursed at a tentative rate with final settlement determined after

Continued

2. Net Patient Service Revenue, Continued

- Medicare, Continued

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 is 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 June 30, 2021.

Nursing Home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system known as the Patient Driven Payment Model (PDPM).

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a reduced cost reimbursement methodology. The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid intermediary through June 30, 2021.

Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

During 2022, Medicaid implemented the Supplemental Quality Incentive (SQI) payment program for nursing homes that demonstrate improvement in one of four quality metrics. The Authority demonstrated improvement in at least one of the four quality metrics in 2023 and recognized SQI payments of approximately $200,000 in net patient service revenue during 2023. No SQI payments earned or received during 2024.

The Authority contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  The State of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the State of Georgia are assessed a “provider payment” in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health (DCH). 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” will result in a corresponding increase in hospital payments on Medicaid services of approximately 11.88%. The Authority made or accrued “provider payments” of approximately $325,000 and $250,000 to DCH for the years ended June 30, 2024 and 2023, respectively. These payments are included in other expenses in the accompanying statement of revenues, expenses and changes in net position.

- Other Arrangements

  The Authority has also 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.

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2024 and 2023 were $114,039,778 and $103,518,042, respectively.

Uncompensated care includes charity and indigent care services of $4,360,910 and $2,796,068 in 2024 and 2023, respectively. The cost of charity and indigent care services provided during 2024 and 2023 was approximately $1,265,000 and $811,000, respectively, computed by applying a total cost factor to the charges forgone.

Continued

3. Uncompensated Services, Continued

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

	2024	2023
Gross patient charges	$ 154,547,912	$ 140,904,033
Uncompensated services:		
Charity and indigent care	4,360,910	2,796,068
Medicare	48,553,819	42,452,743
Medicaid	16,199,399	15,824,113
Other allowances	30,789,484	31,091,974
Bad debts	14,136,166	11,353,144
Total uncompensated care	114,039,778	103,518,042
Net patient service revenue	$ 40,508,134	$ 37,385,991

4. Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority’s bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution’s trust department in the name of the Authority.

As of June 30, 2024 and 2023, the Authority’s deposits were entirely insured, collateralized with securities held by a trustee in the Authority’s name, or held by financial institutions that participate in the Georgia Secure Deposit Program (SDP). The SDP is a multibank contingent liability pledging pool to protect public deposits. The program is administered by Georgia Banker’s Association Services, Inc. Under the program, a combination of the liquidation of pledged collateral and a guarantee from all the other banks participating in the contingent liability pool will cover any loss exceeding FDIC insurance limits.

Continued

4. Deposits, Continued

Deposits as of June 30, 2024 and 2023 are classified in the accompanying financial statements as follows:

	2024	2023
Balance sheets:		
Cash and cash equivalents	$ 1,822,026	$ 3,195,887
Certificate of deposit	2,500,000	2,500,000
Restricted cash and cash equivalents:		
Externally restricted for debt reserve	121,434	92,990
Total deposits	$ 4,443,460	$ 5,788,877
Deposits consist of the following:		
Deposits	$ 1,943,460	$ 3,282,058
Certificate of deposit	2,500,000	2,500,000
Money market deposit accounts	-	6,819
Total deposits	$ 4,443,460	$ 5,788,877

5. Accounts Receivable and Payable

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

	2024	2023
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 15,192,173	$ 16,289,446
Receivable from Medicare	8,429,520	8,191,262
Receivable from Medicaid	1,868,165	2,299,024
Total patient accounts receivable	25,489,858	26,779,732
Less allowance for uncollectible amounts and contractual allowances	(18,003,915)	(19,936,015)
Patient accounts receivable, net	$ 7,485,943	$ 6,843,717
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 1,800,965	$ 1,560,866
Payable to suppliers	2,406,906	2,529,822
Other	1,587,940	736,967
Total accounts payable and accrued expenses	$ 5,795,811	$ 4,827,655

Continued

6. Capital Assets

A summary of capital assets at June 30, 2024 and 2023 follows:

	2023 Balance	Increase	Decrease	Transfers	2024 Balance
Capital assets not being depreciated and amortized:					
Land	$ 649,529	$ -	$ -	$ -	$ 649,529
Construction-in-progress	98,331	166,073	(25,289)	(161,374)	77,741
Total capital assets not being depreciated and amortized	747,860	166,073	(25,289)	(161,374)	727,270
Capital assets being depreciated and amortized:					
Land improvements	373,011	69,499	-	-	442,510
Buildings	27,663,220	542,898	-	161,374	28,367,492
Equipment	15,844,774	755,115	-	-	16,599,889
Intangible right-to-use lease assets	2,783,829	152,400	(484,789)	-	2,451,440
Intangible right-to-use subscription assets	3,242,798	692,551	(26,147)	-	3,909,202
Total capital assets being depreciated and amortized	49,907,632	2,212,463	(510,936)	161,374	51,770,533
Less accumulated depreciation and amortization for:					
Land improvements	363,261	1,301	-	-	364,562
Buildings	16,518,881	642,859	-	-	17,161,740
Equipment	12,722,072	773,441	-	-	13,495,513
Intangible right-to-use lease assets	1,231,730	609,238	(484,789)	-	1,356,179
Intangible right-to-use subscription assets	808,241	501,769	(26,147)	-	1,283,863
Total accumulated depreciation and amortization	31,644,185	2,528,608	(510,936)	-	33,661,857
Capital assets being depreciated and amortized, net	18,263,447	(316,145)	-	161,374	18,108,676
Total capital assets, net	$ 19,011,307	$(150,072)	$(25,289)	$ -	$ 18,835,946

Continued

6. Capital Assets, Continued

	2022 Balance	Increase	Decrease	Transfers	2023 Balance
Capital assets not being depreciated and amortized:					
Land	$ 649,529	$ -	$ -	$ -	$ 649,529
Construction-in-progress	89,569	98,333	(49,338)	(40,233)	98,331
Total capital assets not being depreciated and amortized	739,098	98,333	(49,338)	(40,233)	747,860
Capital assets being depreciated and amortized:					
Land improvements	373,011	-	-	-	373,011
Buildings	27,400,136	222,851	-	40,233	27,663,220
Equipment	15,227,131	617,643	-	-	15,844,774
Intangible right-to-use lease assets	2,055,632	886,265	(158,068)	-	2,783,829
Intangible right-to-use subscription assets	3,237,108	5,690	-	-	3,242,798
Total capital assets being depreciated and amortized	48,293,018	1,732,449	(158,068)	40,233	49,907,632
Less accumulated depreciation and amortization for:					
Land improvements	361,961	1,300	-	-	363,261
Buildings	15,905,602	613,279	-	-	16,518,881
Equipment	12,082,316	639,756	-	-	12,722,072
Intangible right-to-use lease assets	621,086	690,886	(80,242)	-	1,231,730
Intangible right-to-use subscription assets	402,385	405,856	-	-	808,241
Total accumulated depreciation and amortization	29,373,350	2,351,077	(80,242)	-	31,644,185
Capital assets being depreciated and amortized, net	18,919,668	(618,628)	(77,826)	40,233	18,263,447
Total capital assets, net	$ 19,658,766	$(520,295)	$(127,164)	$ -	$ 19,011,307

Subsequent to year end, the Authority entered into a contract for Emergency Room renovations with a total commitment of $1,974,000.

Continued

7. Long-Term Liabilities

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

	2023 Balance	Additions	Reductions	2024 Balance	Amounts Due Within One Year
Direct borrowings and direct placement:					
Notes payable	$ 1,814,658	$ -	$(206,390)	$ 1,608,268	$ 153,172
Lease liabilities	1,588,492	149,336	(685,479)	1,052,349	389,199
Subscription liabilities	2,492,156	677,276	(512,460)	2,656,972	485,467
Total long-term liabilities	$ 5,895,306	$ 826,612	$(1,404,329)	$ 5,317,589	$ 1,027,838

	2022 Balance	Additions	Reductions	2023 Balance	Amounts Due Within One Year
Direct borrowings and direct placement:					
Revenue certificates:					
2012 Series	$ 1,800,000	$ -	$(1,800,000)	$ -	$ -
Notes payable	1,974,639	-	(159,981)	1,814,658	159,744
Lease liabilities	1,453,578	871,707	(736,793)	1,588,492	601,617
Subscription liabilities	2,853,214	4,850	(365,908)	2,492,156	378,693
Total long-term liabilities	$ 8,081,431	$ 876,557	$(3,062,682)	$ 5,895,306	$ 1,140,054

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

- In December 2012, the Authority issued Refunding Revenue Anticipation Certificates Series 2012 to advance refund the 2002 Series Certificates with principal maturing in varying annual amounts with final payment due July 1, 2024, interest accruing at 2.17%. Collateralized by a pledge of the Authority's gross receipts. During 2011, Emanuel County approved by referendum a special purpose local option sales tax (SPLOST), for which a portion of the SPLOST funds would be for the Authority's debt service requirements. During 2017, the SPLOST was reimposed by referendum for an additional six-year period. The contributions related to SPLOST are included in the statements of revenues, expenses and changes in net position as nonoperating revenue for the years ended 2024 and 2023. The cumulative amount paid by Emanuel County is approximately $12,441,000. The SPLOST resolution is effective from January 2018 to December 2023 and does not require any amounts to be repaid to the County. During 2023, the County elected to pay off the remaining balance of the Revenue Certificates.

Continued

7. Long-Term Liabilities, Continued

As a result of the bond refunding transaction, the Authority recognized a loss on defeasance of approximately $362,000. The loss included the funds necessary to adequately fund the defeased Series 2002 escrow account. The loss is included in deferred outflows of resources on the balance sheets and is being amortized over the life of the Series 2012 Certificates. As a result of the payoff of the Revenue Certificates, the Authority amortized the remaining balance of the loss during 2023.

- Note payable to Emanuel County with a remaining principal balance of $686,248, incurring interest at the imputed rate of 5.25%, collateralized by the Authority's capital assets.
- Note payable to a bank with a remaining principal balance of $-0- ($49,469 at June 30, 2023), bearing interest at a rate of 5.75%. On July 30, 2017, and each thirty-six month interval thereafter, the rate will change to the Prime Rate plus 2.50%. Collateralized by property. In February 2024, the note was paid off in full.
- Note payable to the United States Department of Agriculture with a maximum draw amount of $1,426,250, bearing interest at a rate of 3.50%. The Authority has made the maximum amount of draws and has a remaining principal balance of $696,644 ($799,843 at June 30, 2023). The note is collateralized by property and revenues of the Authority.
- Note payable to a bank with a remaining principal balance of $182,500 ($216,247 at June 30, 2023), bearing interest at a rate of 5.50%. Collateralized by property.
- Note payable to a bank with a remaining principal balance of $42,876 ($62,851 at June 30, 2023), bearing interest at a rate of 4.00%. Collateralized by property.

All outstanding long-term debt from direct borrowings and direct placement contain provisions of default that, if experienced by the Authority, would change the timing of repayment of outstanding amounts to become immediately due.

The Authority is a lessee for noncancellable leased equipment. Expenses for the leasing activity of the Authority as the lessee for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Short-term lease expense	$ 170,816	$ 238,937
Right-to-use lease asset amortization	609,238	690,886
Lease liability interest expense	51,610	73,722
Total lease cost	$ 831,664	$ 1,003,545

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.

Continued

7. Long-Term Liabilities, Continued

The Authority has subscription-based information technology arrangements that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles. The subscription liabilities have imputed interest rates ranging from 3.25% to 8.50%, payable in annual installments for certain subscriptions ranging from approximately $6,000 to $38,000, and payable in monthly installments for certain subscriptions ranging from approximately $1,000 to $22,000. Secured by subscription assets.

Expenses for the SBITA activity of the Authority for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Right to use subscription asset amortization	$ 501,769	$ 405,856
Subscription liability interest expense	107,769	85,751
Total subscription cost	$ 609,538	$ 491,607

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 liability.

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

	Long-Term Debt		Lease Liabilities		Subscription Liabilities	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 153,172	$ 24,062	$ 389,199	$ 44,114	$ 485,467	$ 109,588
2026	974,234	19,413	204,714	30,198	565,221	82,556
2027	113,996	15,014	114,019	21,624	549,417	54,475
2028	118,051	10,960	120,505	15,137	490,258	30,920
2029	122,249	6,761	127,403	8,239	297,300	14,791
2030-2034	126,566	2,413	96,509	2,367	269,309	4,950
Total	$ 1,608,268	$ 78,623	$ 1,052,349	$ 121,679	$ 2,656,972	$ 297,280

Continued

8. Retirement Plan

The Authority provides coverage under contract with Variable Annuity Life Insurance Company (VALIC) for a retirement plan for the employees of the Authority. The plan is a defined contribution plan. The plan is open to all employees on the first day of the month following the date they have completed 90 days of service and reached age 21. The Authority makes a base contribution of .5% of the employee's compensation and if the employee elects to contribute up to 2.5% of their compensation, the Authority will match the employee's contribution.

Years of Service	Vesting Percentage
Less Than 5	0%
5 or More	100%

A year of service for vesting is a plan year in which the employee works at least 1,000 hours. Employee contributions are 100% vested at all times.

The Authority elected to allocate past forfeitures of approximately $-0- and $1,000, in 2024 and 2023, respectively, in lieu of cash contributions. The Authority's cost for the retirement plan in 2024 and 2023 was approximately $257,000 and $252,000, respectively. The amount owed by the Authority to the plan was approximately $25,000 and $31,000 at June 30, 2024 and 2023, respectively.

9. Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors is as follows:

	2024	2023
Medicare	33%	31%
Medicaid	7%	9%
Patients	29%	33%
Other third-party payors	31%	27%
Total	100%	100%

10. Hospital Management Agreement

Effective April 1, 2013, the Authority entered into a management agreement with ERHospital, LLC (ERH) for the purpose of providing management and administrative services. The original agreement was for a period of five years, with an automatic renewal of one year, unless either party provides notice of nonrenewal within ninety days prior to the end of the five year term. On April 1, 2018, the agreement was amended and renewed for an additional five years.

Continued

10. Hospital Management Agreement, Continued

Effective October 1, 2022, ERH and the Authority mutually agreed to terminate the management agreement and subsequent amendments. All services provided by ERH were discontinued with the exception of the employee health insurance plan discussed in Note 12, which remained in effect through December 31, 2022.

Under the amended agreement, consideration for the management services provided by ERH is a monthly fee of $30,000 due on the first day of each month. ERH may also be entitled to an incentive bonus equal to $50,000 each fiscal year dependent upon meeting certain performance goals agreed upon by the Authority and ERH prior to the beginning of the fiscal year. Management fees incurred under the amended agreement during 2024 and 2023 were approximately $-0- and $120,000, respectively.

On January 1, 2015, the Authority and ERH modified the management agreement whereas certain management and operational services will be provided by ERH Shared Services, LLC (Shared Services) a wholly owned subsidiary of ERH. Employees of Shared Services provide services to multiple hospitals under the management of ERH. The cost for these services are billed monthly based on each hospital's pro rata share of the total cost incurred by Shared Services. These costs mainly include salaries, wages, and benefits of the Shared Services employees. The amounts incurred by the Authority for these services were approximately $-0- and $313,000 in 2024 and 2023, respectively.

The management and shared services fees incurred under the agreement are recorded in purchased services on the statements of revenues, expenses and changes in net position.

11. Contingencies

During the normal course of operations, the Authority is potentially subject to litigation and regulatory investigation arising from the treatment of patients and the normal operations of the Authority. In the opinion of management and legal counsel, the Authority has adequate liability insurance protection to indemnify any material asserted or unasserted claims as of June 30, 2024 and 2023.

12. Employee Health Insurance

Effective January 1, 2020, the Authority entered into an employee health insurance program through Shared Services under which a third-party administrator processes and pays claims. The Authority pays a set weekly amount per employee to Shared Services and Shared Services pays the third-party administrator for claims incurred and paid on behalf of the Authority. Shared Services has purchased stop-loss insurance coverage for claims in excess of $100,000 on behalf of the Authority for each individual employee. Effective January 1, 2023, the Authority exited the Shared Services program and transitioned to a self-insured

Continued

12. Employee Health Insurance, Continued

program whereby the Authority pays employee health claims as incurred. The Authority utilizes a third-party administrator to process and pay claims, and the Authority has purchased stop-loss insurance coverage for claims in excess of $100,000. Total expenses related to employee health insurance under both plans were approximately $2,651,401 and $1,545,158 for 2024 and 2023, respectively. These amounts are included in the statement of revenues, expenses and changes in net position as employee health and welfare.

13. Medical Malpractice Claims and Judgments

The Authority is covered by a general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Self-insured retention related to this policy was $100,000 and $150,000 per occurrence in 2024 and 2023, respectively. The specific loss, other coverage and health care professional liability aggregate limits for each year is $5 million. Under this program, the Authority paid or accrued approximately $191,000 and $165,000 in 2024 and 2023, respectively. These amounts, which include commercial insurance premiums, are included in the statement of revenues, expenses and changes in net position as other expenses.

14. Indigent Care Trust Fund

The Authority qualified as a Medicaid disproportionate share hospital for 2024 and 2023 and received increased payment adjustments for claims paid during 2024 and 2023. The continuation of increased payment adjustments for Medicaid disproportionate share hospitals in future years is uncertain. The 2024 and 2023 financial statements include payment adjustments of approximately $687,000 and $1,734,000, respectively, which are reflected in net patient service revenue.

15. Medicaid Upper Payment Limit

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $866,000 and $1,090,000 for the years ended June 30, 2024 and 2023, respectively.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately $342,000 and $252,000 for the years ended June 30, 2024 and 2023, respectively.

Continued

16. Health Care Reform

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

17. Regulatory Compliance

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Authority has implemented a compliance plan focusing on such issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages.

18. 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 2023 and 2024. Contributions received under the program for 2024 and 2023 were approximately $1,049,000 and $728,000, respectively, and are reported as noncapital grants, contributions and other on 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.

19. 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 depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Authority's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

Continued

19. Coronavirus (COVID-19), Continued

On March 27, 2020, the President signed the CARES Act. Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. On March 11, 2021, the *American Rescue Plan Act* (ARP) 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 either nonoperating revenues or capital contributions in the statements of revenues, expenses and changes in net position. The Authority received approximately $14,143,000 in grant stimulus funding in fiscal years 2020 through 2024. The Authority recognized approximately $942,000 and $51,000 during fiscal years 2024 and 2023, respectively. As of June 30, 2023, the Authority had expended all grant stimulus funding received.

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

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 of 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 or Claim for Refund for the eligible quarters. The Authority received refunds of approximately $-0- and $1,754,000, net of related expenses, during 2024 and 2023, respectively, 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Emanuel County Hospital Authority
Swainsboro, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Emanuel County Hospital Authority (Authority) which comprise the balance sheet as of June 30, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFFIN + TUCKER, LLP

Albany, Georgia
October 22, 2024