

THE HOSPITAL AUTHORITY OF  
WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

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FINANCIAL STATEMENTS

for the years ended June 30, 2024 and 2023



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
The Hospital Authority of Wayne County, Georgia  
Jesup, Georgia

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of The Hospital Authority of Wayne County, Georgia (Authority), a component unit of Wayne 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 the 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. 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.

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### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Continued

**Other Matter**

*Required Supplementary Information*

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

*Draffin & Tucker, LLP*

Atlanta, Georgia  
January 24, 2025

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Balance Sheets  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets and Deferred Outflows of Resources:</b>		
Current assets:		
Cash and cash equivalents	\$ 122,000	\$ 4,069,000
Patient accounts receivable, net of estimated uncollectibles of \$15,728,000 in 2024 and \$9,777,000 in 2023	11,722,000	8,000,000
Lease receivable, current	49,000	37,000
Estimated third-party payor settlements	879,000	910,000
Grant receivable	-	171,000
Supplies, at lower of cost (first-in, first-out) or market	2,834,000	2,649,000
Prepaid expenses	<u>1,480,000</u>	<u>1,434,000</u>
Total current assets	<u>17,086,000</u>	<u>17,270,000</u>
Noncurrent cash and investments:		
Held by trustee for debt service	618,000	594,000
Other long-term investments	<u>13,111,000</u>	<u>12,958,000</u>
Total noncurrent cash and investments	<u>13,729,000</u>	<u>13,552,000</u>
Capital assets:		
Land	496,000	496,000
Depreciable capital assets, net of accumulated depreciation and amortization	<u>37,982,000</u>	<u>37,956,000</u>
Total capital assets, net	<u>38,478,000</u>	<u>38,452,000</u>
Other assets:		
Lease receivable, long-term	531,000	528,000
Investment in joint ventures	2,240,000	2,156,000
Prepaid recruitment expense	106,000	404,000
Bond insurance costs	<u>6,000</u>	<u>11,000</u>
Total other assets	<u>2,883,000</u>	<u>3,099,000</u>
Total assets	72,176,000	72,373,000
Deferred outflows of resources:		
Deferred loss on refunding	<u>93,000</u>	<u>148,000</u>
Total assets and deferred outflows of resources	<u>\$ 72,269,000</u>	<u>\$ 72,521,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Balance Sheets, Continued  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 4,442,000	\$ 3,119,000
Accounts payable	12,293,000	4,770,000
Accrued expenses	2,895,000	2,519,000
Estimated third-party payor settlements	<u>376,000</u>	<u>471,000</u>
Total current liabilities	20,006,000	10,879,000
Long-term liabilities:		
Long-term debt, net of current maturities	<u>4,716,000</u>	<u>6,230,000</u>
Total liabilities	<u>24,722,000</u>	<u>17,109,000</u>
Deferred inflows of resources:		
Deferred inflows on lessor leases	<u>516,000</u>	<u>513,000</u>
Net position:		
Net investment in capital assets	29,320,000	29,103,000
Restricted for debt service	618,000	594,000
Unrestricted	<u>17,093,000</u>	<u>25,202,000</u>
Total net position	<u>47,031,000</u>	<u>54,899,000</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 72,269,000</u>	<u>\$ 72,521,000</u>

See accompanying notes to financial statements.

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

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

	<u>2024</u>	<u>2023</u>
<b>Operating revenues:</b>		
Net patient service revenue (net of provision for bad debts of \$19,524,000 in 2024 and \$12,586,000 in 2023)	\$ 75,024,000	\$ 79,949,000
Other revenue	<u>1,651,000</u>	<u>1,294,000</u>
Total operating revenues	<u>76,675,000</u>	<u>81,243,000</u>
<b>Operating expenses:</b>		
Salaries and wages	26,414,000	25,701,000
Employee benefits	6,721,000	5,570,000
Purchased services and professional fees	11,700,000	10,914,000
Supplies and drugs	22,763,000	21,544,000
Depreciation and amortization	7,144,000	5,468,000
Other expense	<u>9,293,000</u>	<u>9,024,000</u>
Total operating expenses	<u>84,035,000</u>	<u>78,221,000</u>
Operating income (loss)	<u>( 7,360,000)</u>	<u>3,022,000</u>
<b>Nonoperating revenues (expenses):</b>		
Investment income (loss)	274,000	( 354,000)
Loss on joint ventures	( 1,234,000)	( 412,000)
Interest expense	( 486,000)	( 363,000)
Rural hospital tax credit contributions	579,000	203,000
Noncapital grants and contributions	225,000	113,000
Lease and related interest income	<u>134,000</u>	<u>141,000</u>
Total nonoperating revenues (expenses)	<u>( 508,000)</u>	<u>( 672,000)</u>
Excess revenues (expenses)	( 7,868,000)	2,350,000
<b>Capital grants:</b>		
ARP Act SFRF funding	<u>-</u>	<u>521,000</u>
Change in net position	( 7,868,000)	2,871,000
Net position, beginning of year	<u>54,899,000</u>	<u>52,028,000</u>
Net position, end of year	<u>\$ 47,031,000</u>	<u>\$ 54,899,000</u>

See accompanying notes to financial statements.

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

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

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Receipts from and on behalf of patients	\$ 71,238,000	\$ 80,493,000
Payments to suppliers and contractors	(36,166,000)	(41,484,000)
Payments to employees	(32,759,000)	(31,418,000)
Repayment of Medicare accelerated payments	-	( 2,876,000)
Other receipts	<u>1,651,000</u>	<u>1,294,000</u>
Net cash provided by operating activities	<u>3,964,000</u>	<u>6,009,000</u>
<b>Cash flows from noncapital financing activities:</b>		
Rural hospital tax credit contributions	579,000	203,000
Noncapital grants and contributions	<u>225,000</u>	<u>113,000</u>
Net cash provided by noncapital financing activities	<u>804,000</u>	<u>316,000</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on long-term debt	( 4,517,000)	( 3,030,000)
Interest paid on long-term debt	( 611,000)	( 488,000)
Receipt of ARP Act SFRF funding	171,000	350,000
Purchase of capital assets	<u>( 2,659,000)</u>	<u>( 7,188,000)</u>
Net cash used by capital and related financing Activities	<u>( 7,616,000)</u>	<u>(10,356,000)</u>
<b>Cash flows from investing activities:</b>		
Sales of debt securities	6,060,000	9,084,000
Purchase of debt securities	( 6,052,000)	( 8,855,000)
Investment loss	( 60,000)	( 518,000)
Investment in joint ventures	( 1,318,000)	( 373,000)
Lease and related interest income	<u>122,000</u>	<u>126,000</u>
Net cash used by investing activities	<u>( 1,248,000)</u>	<u>( 536,000)</u>
Net change in cash and cash equivalents	( 4,096,000)	( 4,567,000)
Cash and cash equivalents, beginning of year	<u>5,047,000</u>	<u>9,614,000</u>
Cash and cash equivalents, end of year	<u>\$ 951,000</u>	<u>\$ 5,047,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

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

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of cash and cash equivalents to the balance sheets:</b>		
Cash and cash equivalents	\$ 122,000	\$ 4,069,000
Cash and cash equivalents in noncurrent cash and investments:		
Held by trustee for debt service	618,000	594,000
Other long-term investments	<u>211,000</u>	<u>384,000</u>
Total cash and cash equivalents	\$ <u>951,000</u>	\$ <u>5,047,000</u>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$( 7,360,000)	\$ 3,022,000
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,144,000	5,468,000
Provision for bad debts	19,524,000	12,586,000
Changes in:		
Patient accounts receivable	(23,246,000)	(12,103,000)
Estimated third-party payor settlements	( 64,000)	61,000
Supplies	( 185,000)	( 153,000)
Prepaid expenses	( 46,000)	( 97,000)
Prepaid recruitment expense	298,000	( 354,000)
Accounts payable	7,523,000	602,000
Accrued expenses	376,000	( 147,000)
Medicare accelerated payments	<u>-</u>	<u>( 2,876,000)</u>
Net cash provided by operating activities	\$ <u>3,964,000</u>	\$ <u>6,009,000</u>
 <b>Noncash investing activities:</b>		
Change in fair value of investments	\$ <u>334,000</u>	\$ <u>164,000</u>
Amortization of lease income	\$ <u>59,000</u>	\$ <u>59,000</u>
 <b>Noncash capital financing activities:</b>		
Capital assets acquired through leases	\$ <u>89,000</u>	\$ <u>-</u>
Capital assets acquired through subscriptions	\$ <u>4,422,000</u>	\$ <u>103,000</u>

See accompanying notes to financial statements.

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements  
June 30, 2024 and 2023

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

*Reporting entity.* The Hospital Authority of Wayne 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 August 7, 1956 by the Board of Commissioners of Wayne County, Georgia. The Authority is governed by a seven-member board of trustees appointed by the Wayne County Commissioners and Wayne County has guaranteed debt of the Authority. For these reasons, the Authority is considered to be a component unit of Wayne County, Georgia.

The Authority owns and operates Wayne Memorial Hospital, which provides short-term medical, surgical, obstetrical, pediatric, emergency, and home health care to residents of Wayne County and the surrounding area.

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

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, estimated third-party payor settlements, and self-insurance reserves. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

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

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

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

*Noncurrent cash and investments.* Noncurrent cash and investments include assets held by trustees under indenture agreements and other long-term investments.

*Investments in debt securities.* Investments in debt securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt securities are included in nonoperating revenue when earned.

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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

*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.

*Capital assets.* The Authority's capital assets are recorded at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Right-to-use lease assets are recorded at the present value of payments expected to be made during the lease term adjusted for certain costs. All capital assets other than land are depreciated or amortized (in the case of leases and subscription-based IT arrangements) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 Years
Buildings and building improvements	20 to 40 Years
Equipment, computers and furniture	3 to 15 Years
Right-to-use lease assets	3 to 15 Years
Right-to-use subscription-based IT	3 to 8 Years

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

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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

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

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

*Prepaid recruitment expense.* The Authority has entered into recruiting arrangements with physicians whereby it will provide the physicians with loan advances during a guarantee period. The loan advances will be forgiven if the physicians practice medicine in the geographic area served by the Authority during a forgiveness period. If the physicians discontinue medical practice in the geographic area served by the Authority before the end of the forgiveness period, the loan advances, plus interest at the prime rate plus 1%, must be repaid. Amounts forgiven and charged to expense were approximately \$400,000 and \$-0- during 2024 or 2023, respectively.

*Compensated absences.* The Authority's employees earn benefit hours for paid time off at varying rates depending on years of service. Benefit hours accumulate and may be carried over to the next year. However, an employee's benefit hour accrual may not exceed certain amounts based on years of service. An employee may receive a pay out of benefit hours, subject to certain restrictions. The estimated amount of benefit hours payable is reported as a current liability in both 2024 and 2023.

*Lessee.* The Authority is a lessee for noncancellable lease assets. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The Authority uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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

*Lessee, 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 long-term debt on the balance sheets.

*Lessor:* The Authority is a lessor for noncancellable leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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

*Subscription-based information technology arrangements.* The Authority has subscription-based information technology arrangements (SBITAs). The Authority recognizes a subscription IT liability and an intangible right-to-use subscription asset (subscription IT asset) in its financial statements. At the commencement of the subscription term, which is when the subscription IT asset is placed into service, the Authority initially measures the subscription IT liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, adjusted for payments made at or before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription IT asset is amortized on a straight-line basis over its useful life.

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

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

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

Activities associated with a SBITA, other than making subscription payments, 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 IT asset.
- Operation and Additional Implementation Stage - Outlays are expensed as incurred unless specific capitalization criteria is met.

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

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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

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

*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.

*Grants and contributions.* From time to time, the Authority receives grants from the Hospital Auxiliary, Wayne County, the State of Georgia, and the federal government, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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

*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.

*Deferred outflows of resources.* Deferred outflows of resources consist of the unamortized deferred loss on refunding of the 2006 Series Bonds. The deferred loss is amortized to interest expense over the life of the 2015 Series Bonds.

*Deferred inflows of resources.* Deferred inflows of resources related to lessor leases are amortized to lease income over the lease terms.

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

- *Medicare.* The Authority has received sole community hospital (SCH) classification from Medicare. As an SCH, inpatient services rendered to Medicare program beneficiaries are paid at a hospital-specific rate calculated for a base period and adjusted annually by an updating factor. 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 June 30, 2021.

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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2. **Net Patient Service Revenue, Continued**

- *Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. 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 June 30, 2021.

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

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 revenue was approximately \$2,932,000 and \$4,616,000 during 2024 and 2023, respectively.

The Authority also participates in the Medicaid Upper Payment Limit (UPL) Program. The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$504,000 and \$831,000 during 2024 and 2023, respectively.

During 2022, Medicaid implemented five (5) new Directed Payment Programs. The Authority participates in the Hospital Directed Payment Program (HDPP) for Public Hospitals. The HDPP payments are based on a measure of the difference between Medicaid CMO payments and the amount that could be paid based on Medicare payment principles. The HDPP payments are made to the CMOs and the CMOs are required to transfer the payments to the Authority. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately \$1,270,000 and \$1,549,000 during 2024 and 2023, respectively.

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THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 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 made provider payments to the State of Georgia of approximately \$1,300,000 and \$1,176,000 in 2024 and 2023, respectively. The payments are included in other expense in the accompanying statements of revenues, expenses and changes in net position.

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.

**3. Uncompensated Care**

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

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

	<u>2024</u>	<u>2023</u>
Gross patient charges	\$ <u>299,968,000</u>	\$ <u>306,690,000</u>
Uncompensated services:		
Medicare	100,162,000	101,688,000
Medicaid	36,214,000	44,993,000
Medicaid ICTF/UPL/HDPP	( 4,705,000)	( 6,996,000)
Blue Cross	23,580,000	23,852,000
Other insurance	41,926,000	37,103,000
Charity/indigent	8,243,000	13,515,000
Bad debts	<u>19,524,000</u>	<u>12,586,000</u>
Total uncompensated care	<u>224,944,000</u>	<u>226,741,000</u>
Net patient service revenue	\$ <u>75,024,000</u>	\$ <u>79,949,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**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 and other acceptable collateral in specific amounts. The Authority had \$- and \$4,956,000 in uncollateralized deposits as of June 30, 2024 and 2023, respectively.

*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. The Authority's investments generally are reported at fair value. At June 30, 2024 and 2023, the Authority had the following debt securities with the following maturities, all of which were held in the Authority's name by a custodial bank that is an agent of the Authority:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury Notes	\$ 4,083,000	\$ 99,000	\$ 3,721,000	\$ 263,000	\$ -
U.S. Treasury Bonds	959,000	-	-	-	959,000
Government National Mortgage Association	1,823,000	-	-	-	1,823,000
Federal National Mortgage Association	3,650,000	-	-	-	3,650,000
Federal Home Loan Mortgage Corporation	<u>2,385,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,385,000</u>
Total	\$ <u>12,900,000</u>	\$ <u>99,000</u>	\$ <u>3,721,000</u>	\$ <u>263,000</u>	\$ <u>8,817,000</u>

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury Notes	\$ 2,261,000	\$ 473,000	\$ 635,000	\$ 1,153,000	\$ -
U.S. Treasury Bonds	1,594,000	201,000	-	-	1,393,000
Government National Mortgage Association	2,065,000	-	-	-	2,065,000
Federal National Mortgage Association	3,307,000	109,000	-	-	3,198,000
Federal Home Loan Mortgage Corporation	<u>3,347,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,347,000</u>
Total	\$ <u>12,574,000</u>	\$ <u>783,000</u>	\$ <u>635,000</u>	\$ <u>1,153,000</u>	\$ <u>10,003,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 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 investment in Georgia Fund 1 Local Government Investment Pool (LGIP) has a weighted average maturity of 33 days and 28 days at June 30, 2024 and 2023, respectively.

*Credit risk.* The Authority invests only in U.S. Treasuries, U.S. Government Obligations, or obligations guaranteed by the U.S. Government that are held by the Authority's third-party agent. At June 30, 2024, Georgia Fund 1 LGIP is invested primarily in Treasury bills, repurchase agreements, agency floaters, U.S. Treasury floaters, agency notes, and bank demand deposits. At June 30, 2023, Georgia Fund 1 LGIP is invested primarily in Treasury bills, repurchase agreements, agency floaters, U.S. Treasury floaters, agency notes, and bank demand deposits.

Georgia Fund 1 LGIP carried a rating of AA Af/S1 by *Fitch* at both June 30, 2024 and 2023.

*Concentrations of credit risk.* The Authority places no limit on the amount it may invest in any one issuer. More than 5 percent of the Authority's investments at June 30, 2024 and 2023 are invested in the Georgia Fund 1 LGIP, the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLM), U.S. Treasury Notes, and U.S. Treasury Bonds. The following is a summary of the percentages of investment in each issuer as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Georgia Fund 1 LGIP	5%	5%
U.S. Treasury Notes	30%	17%
U.S. Treasury Bonds	7%	12%
Government National Mortgage Association	13%	16%
Federal National Mortgage Association	27%	25%
Federal Home Loan Mortgage Corporation	<u>18%</u>	<u>25%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**4. Deposits and Investments, Continued**

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

	<u>2024</u>	<u>2023</u>
Deposits	\$ 333,000	\$ 4,453,000
Investments	<u>13,518,000</u>	<u>13,168,000</u>
Total	<u>\$ 13,851,000</u>	<u>\$ 17,621,000</u>

Included in the following balance sheet captions:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 122,000	\$ 4,069,000
Noncurrent cash and investments:		
Held by trustee for debt service	618,000	594,000
Other long-term investments	<u>13,111,000</u>	<u>12,958,000</u>
Total	<u>\$ 13,851,000</u>	<u>\$ 17,621,000</u>

At June 30, 2024 and 2023, the Authority's investments consisted of the following:

	<u>2024</u>	<u>2023</u>
Georgia Fund 1 LGIP	\$ 618,000	\$ 594,000
U.S. Treasury Notes	4,083,000	2,261,000
U.S. Treasury Bonds	959,000	1,594,000
Government National Mortgage Association	1,823,000	2,065,000
Federal National Mortgage Association	3,650,000	3,307,000
Federal Home Loan Mortgage Corporation	<u>2,385,000</u>	<u>3,347,000</u>
Total	<u>\$ 13,518,000</u>	<u>\$ 13,168,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**4. Deposits and Investments, Continued**

Fair value of investments measured on a recurring basis at June 30, 2024 and 2023 are as follows:

	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b><u>June 30, 2024</u></b>				
U.S. Treasury Notes	\$ 4,083,000	\$ -	\$ 4,083,000	\$ -
U.S. Treasury Bonds	959,000	-	959,000	-
Government National Mortgage Association	1,823,000	-	1,823,000	-
Federal National Mortgage Association	3,650,000	-	3,650,000	-
Federal Home Loan Mortgage Corporation	<u>2,385,000</u>	-	<u>2,385,000</u>	-
	12,900,000	<u>\$ -</u>	<u>\$ 12,900,000</u>	<u>\$ -</u>
Georgia Fund 1 LGIP	<u>618,000</u>			
Total investments	<u>\$ 13,518,000</u>			
<b><u>June 30, 2023</u></b>				
U.S. Treasury Notes	\$ 2,261,000	\$ -	\$ 2,261,000	\$ -
U.S. Treasury Bonds	1,594,000	-	1,594,000	-
Government National Mortgage Association	2,065,000	-	2,065,000	-
Federal National Mortgage Association	3,307,000	-	3,307,000	-
Federal Home Loan Mortgage Corporation	<u>3,347,000</u>	-	<u>3,347,000</u>	-
	12,574,000	<u>\$ -</u>	<u>\$ 12,574,000</u>	<u>\$ -</u>
Georgia Fund 1 LGIP	<u>594,000</u>			
Total investments	<u>\$ 13,168,000</u>			

The Authority's investment in the Georgia Fund 1 LGIP is managed by the Georgia Office of the State Treasurer. The unit of account is each share held and the Authority's investment in the Georgia Fund 1 LGIP is reported at fair value. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 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 June 30, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	<u>2023</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 23,293,000	\$ 16,538,000
Receivable from Medicare	3,421,000	654,000
Receivable from Medicaid	<u>736,000</u>	<u>585,000</u>
Total patient accounts receivable	27,450,000	17,777,000
Less allowance for uncollectible amounts	<u>15,728,000</u>	<u>9,777,000</u>
Patient accounts receivable, net	<u>\$ 11,722,000</u>	<u>\$ 8,000,000</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 2,642,000	\$ 2,254,000
Payable to suppliers	12,293,000	4,770,000
Accrued interest payable	128,000	140,000
Other payable	<u>125,000</u>	<u>125,000</u>
Total accounts payable and accrued expenses	<u>\$ 15,188,000</u>	<u>\$ 7,289,000</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 June 30, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	29%	8%
Medicaid	6%	7%
Blue Cross	19%	18%
Other third-party payors	35%	43%
Patients	<u>11%</u>	<u>24%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**7. Capital Assets**

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

	Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance <u>June 30, 2024</u>
Land	\$ 496,000	\$ -	\$ -	\$ -	\$ 496,000
Buildings and improvements	72,484,000	1,732,000	-	-	74,216,000
Leased buildings	192,000	-	-	-	192,000
Equipment	25,256,000	927,000	-	-	26,183,000
Leased equipment	3,070,000	89,000	(832,000)	-	2,327,000
Subscription-based IT	<u>4,364,000</u>	<u>4,422,000</u>	<u>-</u>	<u>-</u>	<u>8,786,000</u>
 Totals at historical cost	 <u>105,862,000</u>	 <u>7,170,000</u>	 <u>(832,000)</u>	 <u>-</u>	 <u>112,200,000</u>
 Less accumulated depreciation and amortization for:					
Buildings and improvements	( 46,485,000)	(2,515,000)	-	-	( 49,000,000)
Leased buildings	( 90,000)	( 30,000)	-	-	( 120,000)
Equipment	( 17,347,000)	(1,659,000)	-	-	( 19,006,000)
Leased equipment	( 1,830,000)	( 685,000)	832,000	-	( 1,683,000)
Subscription-based IT	<u>( 1,658,000)</u>	<u>(2,255,000)</u>	<u>-</u>	<u>-</u>	<u>( 3,913,000)</u>
 Total accumulated depreciation and amortization	 <u>( 67,410,000)</u>	 <u>(7,144,000)</u>	 <u>832,000</u>	 <u>-</u>	 <u>( 73,722,000)</u>
 Capital assets, net	 <u>\$ 38,452,000</u>	 <u>\$ 26,000</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 38,478,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**7. Capital Assets, Continued**

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Land	\$ 496,000	\$ -	\$ -	\$ -	\$ 496,000
Construction-in-progress	492,000	35,000	-	(527,000)	-
Buildings and improvements	68,376,000	3,595,000	-	513,000	72,484,000
Leased buildings	217,000	-	(25,000)	-	192,000
Equipment	21,729,000	3,513,000	-	14,000	25,256,000
Leased equipment	3,070,000	-	-	-	3,070,000
Subscription-based IT	<u>4,216,000</u>	<u>148,000</u>	<u>-</u>	<u>-</u>	<u>4,364,000</u>
Totals at historical cost	<u>98,596,000</u>	<u>7,291,000</u>	<u>(25,000)</u>	<u>-</u>	<u>105,862,000</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	(44,169,000)	(2,316,000)	-	-	( 46,485,000)
Leased buildings	( 84,000)	( 31,000)	25,000	-	( 90,000)
Equipment	(15,759,000)	(1,588,000)	-	-	( 17,347,000)
Leased equipment	( 1,147,000)	( 683,000)	-	-	( 1,830,000)
Subscription-based IT	<u>( 808,000)</u>	<u>( 850,000)</u>	<u>-</u>	<u>-</u>	<u>( 1,658,000)</u>
Total accumulated depreciation and amortization	<u>(61,967,000)</u>	<u>(5,468,000)</u>	<u>25,000</u>	<u>-</u>	<u>( 67,410,000)</u>
Capital assets, net	<u>\$ 36,629,000</u>	<u>\$ 1,823,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,452,000</u>

**8. Medicare Accelerated and Advance Payments**

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) expanded the Medicare Accelerated and Advance Payment (MAAP) program to increase cash flow to healthcare providers impacted by the COVID-19 pandemic. In April 2020, the Authority received approximately \$8,531,000 in MAAP payments. The MAAP payments must be repaid and recoupment begins one year after the date of receipt. Medicare will recoup 25% of Medicare payments owed to the Authority for eleven months. Medicare will then recoup 50% of Medicare payments owed to the Authority for the succeeding six months. Any outstanding balance must then be repaid. As of June 30, 2023, all MAAP payments had been recouped.

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**9. Long-Term Debt**

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

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds:					
2015 Bonds	\$ 4,835,000	\$ -	\$(1,535,000)	\$ 3,300,000	\$ 1,610,000
Premium	<u>494,000</u>	<u>-</u>	<u>( 185,000)</u>	<u>309,000</u>	<u>-</u>
Net bonds	5,329,000	-	(1,720,000)	3,609,000	1,610,000
Leases	1,391,000	89,000	( 730,000)	750,000	460,000
Subscription-based IT	<u>2,629,000</u>	<u>4,422,000</u>	<u>(2,252,000)</u>	<u>4,799,000</u>	<u>2,372,000</u>
Total	<u>\$ 9,349,000</u>	<u>\$ 4,511,000</u>	<u>\$(4,702,000)</u>	<u>\$ 9,158,000</u>	<u>\$ 4,442,000</u>

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds:					
2015 Bonds	\$ 6,295,000	\$ -	\$(1,460,000)	\$ 4,835,000	\$ 1,535,000
Premium	<u>679,000</u>	<u>-</u>	<u>( 185,000)</u>	<u>494,000</u>	<u>-</u>
Net bonds	6,974,000	-	(1,645,000)	5,329,000	1,535,000
Leases	2,102,000	-	( 711,000)	1,391,000	656,000
Subscription-based IT	<u>3,385,000</u>	<u>103,000</u>	<u>( 859,000)</u>	<u>2,629,000</u>	<u>928,000</u>
Total	<u>\$ 12,461,000</u>	<u>\$ 103,000</u>	<u>\$(3,215,000)</u>	<u>\$ 9,349,000</u>	<u>\$ 3,119,000</u>

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

- 2015 Bonds - \$13,790,000 Refunding Revenue Anticipation Certificates, Series 2015, interest ranging from 3.000% to 5.000%, principal maturing in varying annual amounts, due March 1, 2026, secured by: (i) a pledge of the Authority's gross revenues, (ii) a debt service reserve surety bond, (iii) a contract with Wayne County to levy an annual ad valorem tax if needed, and (iv) a municipal bond insurance policy. The 2015 Bonds contain a provision that in an event of default, the owners of not less than 55% of the principal amount outstanding may declare the 2015 Bonds due and payable immediately.

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
(A Component Unit of Wayne County, Georgia)

Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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**9. Long-Term Debt, Continued**

- Equipment leases - Leases of equipment for use in the CT Scan, MRI, operating room, oncology, central sterile, and pharmacy departments. While terms vary by lease, each lease provides for a monthly lease payment. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.
- Property leases - Leases of property to house medical offices and home health agency. While terms vary by lease, each lease provides for a monthly lease payment subject to a fixed escalation. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.
- Subscription-based information technology arrangements - Subscription obligations for seven (7) arrangements that range from 3 years to 8 years. The monthly payment amount is specific to each agreement based on the term of the agreement. None of the subscription-based information technology arrangements contain provisions for variable payments. Additionally, there are no other payments, such as termination penalties, not previously included in the measurement of the subscription IT liability.

On May 12, 2015, the Authority advance refunded \$16,730,000 of the Revenue Anticipation Refunding and Improvement Certificates, Series 2006 Bonds with proceeds from the 2015 Bonds. The difference between the reacquisition price and the net carrying amount, \$601,000, was recognized as a deferred outflow of resources and is being amortized over the life of the 2015 Bonds.

Under the terms of the 2015 Bond Indenture, the Authority is required to maintain certain deposits with a trustee. Such deposits are included in noncurrent cash and investments held by trustee for debt service in the balance sheet.

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THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
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Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**9. Long-Term Debt, Continued**

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

Year Ending June 30	Bonds		Leases		Subscription-Based IT	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,610,000	\$ 165,000	\$ 460,000	\$ 17,000	\$ 2,372,000	\$ 260,000
2026	1,690,000	85,000	238,000	6,000	2,033,000	112,000
2027	-	-	18,000	1,000	114,000	35,000
2028	-	-	19,000	1,000	124,000	25,000
2029	-	-	5,000	-	135,000	14,000
2030-2034	-	-	10,000	-	21,000	3,000
Total	3,300,000	\$ <u>250,000</u>	\$ <u>750,000</u>	\$ <u>25,000</u>	\$ <u>4,799,000</u>	\$ <u>449,000</u>
Bond premium	<u>309,000</u>					
Net	\$ <u>3,609,000</u>					

**10. Lessor Leases**

The Authority is a lessor for property occupied by cellular antenna. The lease is for five years with four additional five-year renewal periods. The lease provides for a monthly lease payment that increases by 3% each year. The Authority is also a lessor for property occupied by an air ambulance service. The lease is for three years at a fixed monthly rate.

**11. Employee Retirement Plan**

The Authority provides retirement benefits for its employees through the Wayne Memorial Hospital 401(k) Plan, a defined contribution plan. Wayne Memorial Hospital administers the Plan. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Trustees. Employees are eligible to participate after one-half of one year of service and having reached the age of 20 and one-half. Employees may contribute not less than 3% nor more than 100% of their annual compensation to the plan such that total contributions do not exceed the maximum annual amount as set periodically by the Internal Revenue Service. Employee contributions to the Plan were approximately \$783,000 and \$760,000 during 2024 and 2023, respectively. The Authority makes a matching contribution of 3% of the employee's annual compensation. The Authority's contributions to the plan totaled approximately \$388,000 and \$368,000 during June 30, 2024 and 2023, respectively. Employees are vested in their contributions immediately and vested in the Authority's matching contributions based on a 6-year grade. Matching forfeitures are used to reduce matching contributions.

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THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
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Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**12. Insurance Arrangements**

*Liability insurance.* The Authority has claims-made insurance coverage for professional liability and occurrence insurance coverage for general liability. The insurance policies have limits of \$1,000,000 per claim/occurrence and \$3,000,000 annual aggregate. The Authority's deductible for the professional liability policy is \$50,000 for individual claims or \$150,000 annual aggregate. The Authority's deductible for the general liability policy is \$5,000 per occurrence. The Authority has also purchased excess liability insurance coverage with a policy limit of \$10,000,000 per claim and \$10,000,000 annual aggregate. Estimated accruals for claims incurred but not reported have been recorded.

*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 \$125,000 annually. The Authority incurred expenses related to this plan of approximately \$3,872,000 and \$2,757,000 during 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 \$680,000 and \$440,000 at June 30, 2024 and 2023, respectively.

**13. Fair Value of Financial Instruments**

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

- *Cash and cash equivalents, estimated third-party payor settlements, accounts payable, and accrued expenses:* The carrying amounts reported in the balance sheets approximate their fair value due to the short-term nature of these instruments.
- *Noncurrent cash and investments:* Fair values are based on estimates obtained from various sources. The fair values are generally based on large transactions and assume standard market conditions.
- *Long-term debt:* Fair values of the Authority's revenue bonds are based on quoted market prices.

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

	2024		2023	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
2015 Bonds	\$ <u>3,609,000</u>	\$ <u>3,351,000</u>	\$ <u>5,329,000</u>	\$ <u>4,965,000</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
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Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**14. 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 2018 through 2024. Contributions received under the program were approximately \$579,000 and \$203,000 during fiscal years 2024 and 2023, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

**15. Joint Ventures**

The Authority and Saint Joseph's Hospital, Inc. formed Wayne/SJC Medical Group, LLC (Wayne/SJC), a physician practice. The Authority has a 70% interest in Wayne/SJC which is accounted for using the equity method. Condensed unaudited financial information for the joint venture is as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Balance sheet:		
Assets:		
Cash	\$ 253,000	\$ 198,000
Capital assets	19,000	28,000
Other assets	<u>77,000</u>	<u>53,000</u>
Total assets	<u>\$ 349,000</u>	<u>\$ 279,000</u>
Liabilities:		
Accrued expenses	\$ 80,000	\$ 78,000
Equity	<u>269,000</u>	<u>201,000</u>
Total liabilities and equity	<u>\$ 349,000</u>	<u>\$ 279,000</u>
Income statement:		
Revenue	\$ 1,235,000	\$ 1,731,000
Expenses	<u>(2,646,000)</u>	<u>(3,142,000)</u>
Net loss	<u>\$(1,411,000)</u>	<u>\$(1,411,000)</u>

Continued

THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
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Notes To Financial Statements, Continued  
June 30, 2024 and 2023

**15. Joint Ventures, Continued**

The Authority and SJC Properties, Inc. formed WMH/SJC Properties, LLC (Properties) to construct and operate a medical office building. The Authority has a 50% interest in Properties which is accounted for using the equity method. Condensed unaudited financial information for the joint venture is as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Balance sheet:		
Assets:		
Cash	\$ 579,000	\$ 416,000
Capital assets	<u>3,524,000</u>	<u>3,616,000</u>
Total assets	<u>\$ 4,103,000</u>	<u>\$ 4,032,000</u>
Equity:	<u>\$ 4,103,000</u>	<u>\$ 4,032,000</u>
Total equity	<u>\$ 4,103,000</u>	<u>\$ 4,032,000</u>
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Income statement:		
Revenue	\$ 178,000	\$ 214,000
Expenses	<u>( 107,000)</u>	<u>( 111,000)</u>
Net income	<u>\$ 71,000</u>	<u>\$ 103,000</u>

A schedule of changes in the Authority's investment in the joint ventures for 2024 and 2023 follows:

	<u>Balance June 30, 2023</u>	<u>Contributed Capital</u>	<u>Investment Gain/(Loss)</u>	<u>Balance June 30, 2024</u>
Wayne/SJC Properties	\$ 140,000 <u>2,016,000</u>	\$ 1,036,000 <u>-</u>	\$( 988,000) <u>36,000</u>	\$ 188,000 <u>2,052,000</u>
Total	<u>\$ 2,156,000</u>	<u>\$ 1,036,000</u>	<u>\$( 952,000)</u>	<u>\$ 2,240,000</u>
	<u>Balance June 30, 2022</u>	<u>Contributed Capital</u>	<u>Investment Gain/(Loss)</u>	<u>Balance June 30, 2023</u>
Wayne/SJC Properties	\$ 230,000 <u>1,965,000</u>	\$ 953,000 <u>-</u>	\$(1,043,000) <u>51,000</u>	\$ 140,000 <u>2,016,000</u>
Total	<u>\$ 2,195,000</u>	<u>\$ 953,000</u>	<u>\$( 992,000)</u>	<u>\$ 2,156,000</u>

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Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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**15. Joint Ventures, Continued**

The Authority and SJC Health Services, Inc. formed SJC/Wayne Medical Oncology, LLC (Oncology) to provide infrastructure, operational, and management services of medical oncology services at Wayne Memorial Hospital. The Authority has a 49% interest in Oncology. The Authority provides the hospital services of Oncology while SJC Health Services, Inc. provides the professional (physician) services of Oncology. The Authority received/(distributed) approximately \$(282,000) and \$579,000 during 2024 and 2023, respectively, to SJC Health Services, Inc. to allocate the combined net income/(loss) of Oncology. The receipts/distributions to SJC Health Services, Inc. are reported in loss on joint ventures in the accompanying statements of revenues, expenses, and changes in net position.

**16. Contingencies**

*Litigation.* The Authority is subject to litigation and regulatory investigation arising in the course of business. After consultation with legal counsel, management believes no matters exist that would have a material adverse effect on the Authority's future financial position or results from operations.

*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.

*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. The extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

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THE HOSPITAL AUTHORITY OF WAYNE COUNTY, GEORGIA  
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Notes To Financial Statements, Continued  
June 30, 2024 and 2023

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**17. CARES and ARP Act Funding**

On March 27, 2020, the *Coronavirus, Aid, Relief, and Economic Security Act* was passed, on April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed, and on March 11, 2021, the *American Rescue Plan Act of 2021* was passed (collectively, CARES and ARP Act). Certain provisions of the CARES and ARP Act provide relief funds to healthcare providers. The funding is to be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds in April 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to remain open. The Authority received the following CARES and ARP Act funding during 2023:

- \$350 Billion APR State Fiscal Recovery Fund (SFRF) - HHS distributed \$350 billion to state, local, and tribal governments to support their response to and recovery from the COVID-19 public health emergency. The State of Georgia was allocated \$4.8 billion. The State of Georgia allocated \$1,045,000 to certain hospitals in the state. The Authority recognized \$521,000 in funding from this distribution.

The CARES and ARP Act funding is 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.

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