

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

COMBINED FINANCIAL STATEMENTS

for the years ended September 30, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hospital Authority of Colquitt County
Moultrie, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Hospital Authority of Colquitt County (Authority), a component unit of Colquitt County, Georgia, which comprise the combined balance sheets as of September 30, 2023 and 2022, and the related combined statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Authority as of September 30, 2023 and 2022, 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.

We did not audit the financial statements of Colquitt Regional Medical Center Insurance Segregated Portfolio (Segregated Portfolio), a blended component unit, which statements reflect total assets constituting 1% of combined total assets as of September 30, 2023 and 2022, and total revenues constituting less than 1% of combined total revenues for the years then ended. Those statements were audited by other auditors in accordance with International Standards on Auditing, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Segregated Portfolio, is based solely on the report of the other auditors. We have applied additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America.

Continued

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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 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. The financial statements of the Segregated Portfolio were not audited in accordance with *Governmental Auditing Standards*.

Change in Accounting Principle

As described in Note 1 to the combined financial statements, in 2023 the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 combined 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 combined 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.

Continued

- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 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 the 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 the Authority's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
January 22, 2024

PRESIDENT:

James L. Matney

TRUSTEES:

Richard E. Turner, Jr.

John Mark Mobley, Jr.

Howard L. Melton, M.D.

Johnny Brown, III

John W. Griffin

Richard T. Bass

Justin Baker, M.D.

Maureen A. Yearata, Ed.D.

Joe P. Baker

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

This section of the Hospital Authority of Colquitt County's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended September 30, 2023, 2022, and 2021. Please read it in conjunction with the Authority's combined financial statements and accompanying notes.

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic combined financial statements. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the combined financial statements are presented using full accrual accounting.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The combined balance sheet and the combined statement of revenues, expenses, and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These combined statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two combined statements report the Authority's net position and its changes. You can think of the Authority's net position - the difference between assets, plus deferred outflows of resources, and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial

Continued

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

***The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position,
Continued***

health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

The Combined Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?".

Financial Analysis of the Authority

The following table summarizes the balance sheets as of September 30, 2023, 2022, and 2021:

Combined Balance Sheet

	Dollars in Thousands		
	<u>2023</u>	Restated <u>2022</u>	<u>2021</u> *
Current assets	\$ 52,454	\$ 46,473	\$ 59,998
Capital assets	130,782	120,670	110,648
Other noncurrent assets	97,745	85,849	95,228
Deferred outflows of resources	<u>3,218</u>	<u>3,393</u>	<u>-</u>
Total assets and deferred outflows of resources	\$ <u>284,199</u>	\$ <u>256,385</u>	\$ <u>265,874</u>
Current liabilities	\$ 37,267	\$ 37,184	\$ 50,614
Noncurrent liabilities	51,111	53,337	49,882
Deferred inflows of resources	<u>6</u>	<u>11</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>88,384</u>	<u>90,532</u>	<u>100,496</u>
Net position:			
Net investment in capital assets	71,739	59,930	56,457
Restricted	3,620	3,004	4,261
Unrestricted	<u>120,456</u>	<u>102,919</u>	<u>104,660</u>
Total net position	<u>195,815</u>	<u>165,853</u>	<u>165,378</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>284,199</u>	\$ <u>256,385</u>	\$ <u>265,874</u>

* The information presented for the fiscal year ending September 30, 2021 was not restated for the effect of GASB 96.

Continued

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

Financial Analysis of the Authority, Continued

The Authority's total assets increased by \$28,000,000 in year 2023. This increase is related to the increase in noncurrent cash and investments, and the rest was related to purchases in capital acquisition. In 2021, we had major construction projects like the cancer center, PCU unit and Geriatric Psych unit.

The Authority's total liabilities decreased by \$2,142,000 which is mainly related to the repayment of the Medicare advance payment and other long-term debt agreements.

Long-term debt decreased by \$1,696,00 compared to fiscal year 2022. Debt to capitalization for the year was 23.2% for 2023 compared to 26.8% for 2022.

During 2022, the Authority purchased a skilled nursing facility for \$5,900,000 using debt to fund the purchase price.

The Authority established Colquitt Regional Medical Center Insurance Segregated Portfolio (Segregated Portfolio) on March 1, 2022 as a segregated portfolio plan in the Georgia Health Care Insurance Company, SPC. See Note 22 to the combined financial statements for additional information. The Segregated Portfolio is a blended component unit of the Authority.

The following table summarizes the statement of revenues, expenses and changes in net position as of September 30, 2023, 2022, and 2021:

Combined Statements of Revenues, Expenses and Changes in Net Position

	Dollars in Thousands		
	<u>2023</u>	Restated <u>2022</u>	<u>2021</u>
Net patient service revenue	\$ 231,568	\$ 200,782	\$ 198,983
Other revenue	<u>9,168</u>	<u>5,620</u>	<u>4,634</u>
Total operating revenues	<u>240,736</u>	<u>206,402</u>	<u>203,617</u>
Salaries and employee benefits	108,416	99,239	87,964
Other operating expenses	103,894	88,386	87,490
Depreciation and amortization	<u>15,516</u>	<u>14,249</u>	<u>11,217</u>
Total operating expenses	<u>227,826</u>	<u>201,874</u>	<u>186,671</u>
Net operating income	<u>12,910</u>	<u>4,528</u>	<u>16,946</u>

Continued

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

Financial Analysis of the Authority, Continued

Combined Statements of Revenues, Expenses and Changes in Net Position, Continued

	Dollars in Thousands		
	<u>2023</u>	Restated <u>2022</u>	<u>2021</u>
Nonoperating revenues (expenses):			
Investment income	\$ 11,667	\$(15,918)	\$ 14,238
Interest expense	(1,537)	(1,538)	(1,325)
Grant stimulus funding	3,000	8,850	7,060
Other	<u>3,647</u>	<u>4,168</u>	<u>4,232</u>
Total nonoperating revenues (expenses)	<u>16,777</u>	<u>(4,438)</u>	<u>24,205</u>
Excess of revenues before contributions	29,687	90	41,151
Contributions for property acquisitions	<u>275</u>	<u>385</u>	<u>985</u>
Increase in net position	29,962	475	42,136
Net position, beginning of year	<u>165,853</u>	<u>165,378</u>	<u>123,242</u>
Net position, end of year	\$ <u>195,815</u>	\$ <u>165,853</u>	\$ <u>165,378</u>

Fiscal year 2023 was a good year for the Authority. The Medical Center did experience an increase in admissions, elective procedures, and visits. Along with the volume increases, our expenses also increased due to staffing issues and health insurance cost.

Total operating revenue grew by \$34,300,000 compared to prior year. This increase is related to volume and the addition of the skilled nursing facility.

Total operating expenses increased by \$26,000,000. The major portion was related to salaries, yearly incentives, health insurance claims, and supplies.

Overall, the operating income increased by \$8,400,000 compared to the 2022 financial statements.

Operating income in 2023 was \$12,900,000 operating margin of 5.3%. This compares to operating income of \$4,500,000 in 2022, and an operating margin of 2.2%.

Continued

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

Combined Statements of Revenues, Expenses and Changes in Net Position, Continued

In 2023, the Authority recorded a total non-operating gain of \$16,700,000 which was an increase of \$21,200,000 compared to 2022. This increase is attributed to an increase of investment income.

At the end of 2023, the Authority had \$130,800,000 invested in capital assets, net of accumulated depreciation. In 2023, the Authority's capital spending was related to construction of medical education building and other capital equipment.

As of September 30, 2023, the Authority had \$49,100,000 in revenue certificates, \$9,900,000 in other long-term debt, which is a total debt decrease of \$1,700,000 compared to 2022.

Master Plan and Construction

In 2023, the Authority finished the construction of the new education building and renovation of the skilled nursing facility. The Authority also plans to continue to invest in new technology and equipment as needed.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Authority finance department at Hospital Authority of Colquitt County, 3131 South Main Street, P. O. Box 40, Moultrie, GA 31776-0040.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

COMBINED BALANCE SHEETS
September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	\$ 9,281,907	\$ 7,953,773
Current portion of designated funds	4,459,115	4,985,475
Patient accounts receivable, net of estimated uncollectibles of \$67,233,137 in 2023 and \$56,162,077 in 2022	25,168,902	23,743,643
Supplies	5,704,254	4,661,481
Notes receivable, current portion	454,099	480,610
Other current assets	<u>7,385,301</u>	<u>4,648,275</u>
Total current assets	<u>52,453,578</u>	<u>46,473,257</u>
Noncurrent cash and investments:		
Internally designated for:		
Capital acquisition	88,871,067	78,275,552
Employee benefits	635,000	635,000
Malpractice funding arrangement	2,289,786	1,300,580
Restricted by:		
Revenue Certificates - debt service reserve fund	<u>3,620,181</u>	<u>3,508,101</u>
Total noncurrent cash and investments	<u>95,416,034</u>	<u>83,719,233</u>
Capital assets:		
Nondepreciable capital assets	18,917,746	5,909,744
Depreciable capital assets, net of accumulated depreciation	107,958,424	109,647,283
Intangible right-to-use lease assets, net of accumulated amortization	214,663	236,932
Intangible right-to-use subscription IT assets, net of accumulated amortization	<u>3,691,344</u>	<u>4,876,042</u>
Total capital assets, net	<u>130,782,177</u>	<u>120,670,001</u>
Other assets:		
Notes receivable, excluding current portion	268,779	458,780
Other assets	<u>2,060,948</u>	<u>1,671,152</u>
Total other assets	<u>2,329,727</u>	<u>2,129,932</u>
Total assets	280,981,516	252,992,423
Deferred outflows of resources:		
Goodwill	<u>3,217,975</u>	<u>3,392,706</u>
Total assets and deferred outflows of resources	\$ <u>284,199,491</u>	\$ <u>256,385,129</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

COMBINED BALANCE SHEETS, Continued
September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current installments of long-term debt	\$ 7,931,911	\$ 7,402,799
Current portion of Medicare advance payments	-	179,435
Accounts payable	9,628,980	7,188,450
Accrued expenses	18,263,972	18,562,987
Estimated third-party payor settlements	1,159,868	805,215
Grant stimulus unearned revenue	<u>282,739</u>	<u>3,044,939</u>
Total current liabilities	37,267,470	37,183,825
Long-term debt, excluding current installments	<u>51,111,529</u>	<u>53,336,955</u>
Total liabilities	88,378,999	90,520,780
Deferred inflows of resources	<u>5,608</u>	<u>11,215</u>
Total liabilities and deferred inflows of resources	<u>88,384,607</u>	<u>90,531,995</u>
Net position:		
Net investment in capital assets	71,738,737	59,930,247
Restricted	3,620,181	3,004,156
Unrestricted	<u>120,455,966</u>	<u>102,918,731</u>
Total net position	<u>195,814,884</u>	<u>165,853,134</u>
 Total liabilities, deferred inflows of resources, and net position	 \$ <u>284,199,491</u>	 \$ <u>256,385,129</u>

The accompanying notes are an integral part of these combined financial statements.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately \$44,513,000 in 2023 and \$36,296,000 in 2022)	\$ 231,567,879	\$ 200,782,330
Other revenue	<u>9,168,449</u>	<u>5,619,598</u>
Total operating revenues	<u>240,736,328</u>	<u>206,401,928</u>
Operating expenses:		
Salaries and wages	86,942,670	80,487,917
Employee health and welfare	21,473,591	18,751,306
Medical supplies and other expense	74,769,117	63,460,143
Professional fees	21,620,630	18,029,123
Purchased services	7,503,810	6,896,659
Depreciation and amortization	<u>15,516,248</u>	<u>14,248,718</u>
Total operating expenses	<u>227,826,066</u>	<u>201,873,866</u>
Operating income	<u>12,910,262</u>	<u>4,528,062</u>
Nonoperating revenues (expenses):		
Investment income (loss)	11,667,180	(15,918,356)
Interest expense	(1,537,169)	(1,537,708)
Grant stimulus funding	3,000,000	8,850,223
Rural hospital tax credit and other	<u>3,647,157</u>	<u>4,167,728</u>
Total nonoperating revenues (expenses)	<u>16,777,168</u>	(4,438,113)
Excess revenues	29,687,430	89,949
Contributions for property acquisitions	<u>274,320</u>	<u>384,745</u>
Increase in net position	29,961,750	474,694
Net position, beginning of year, originally reported	166,011,581	165,378,440
Implementation of GASB No. 96	(<u>158,447</u>)	<u>-</u>
Net position, end of year, restated	\$ <u>195,814,884</u>	\$ <u>165,853,134</u>

The accompanying notes are an integral part of these combined financial statements.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

COMBINED STATEMENTS OF CASH FLOWS
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Cash flows from operating activities:		
Received from patients and payors	\$ 239,665,722	\$ 206,492,257
Repayments of Medicare advance payments	(179,435)	(10,715,647)
Payments to vendors and other suppliers	(106,200,127)	(91,230,722)
Payments to employees and physicians	(108,050,411)	(98,180,827)
Net cash provided by operating activities	<u>25,235,749</u>	<u>6,365,061</u>
Cash flows from noncapital financing activities:		
Grant stimulus funding	237,800	6,111,156
Rural hospital tax credit	<u>4,061,568</u>	<u>4,158,470</u>
Net cash provided by noncapital financing activities	<u>4,299,368</u>	<u>10,269,626</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt	5,574,135	6,500,000
Principal paid on long-term debt, lease and subscription IT liabilities	(7,353,869)	(6,405,724)
Interest paid on long-term debt, lease and subscription IT liabilities	(1,537,169)	(1,537,708)
Purchase of capital assets	(25,661,139)	(18,048,066)
Capital contributions	<u>274,320</u>	<u>384,745</u>
Net cash used by capital and related financing activities	<u>(28,703,722)</u>	<u>(19,106,753)</u>
Cash flows from investing activities:		
Interest and dividends	1,154,978	1,673,300
Purchase of CRSC	-	(3,494,633)
Purchase of investments	(35,599,495)	(49,030,312)
Sale of investments	<u>34,418,324</u>	<u>40,025,261</u>
Net cash used by investing activities	<u>(26,193)</u>	<u>(10,826,384)</u>
Net increase (decrease) in cash and cash equivalents	805,202	(13,298,450)
Cash and cash equivalents, beginning of year	<u>12,389,901</u>	<u>25,688,351</u>
Cash and cash equivalents, end of year	\$ <u>13,195,103</u>	\$ <u>12,389,901</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 9,281,907	\$ 7,953,773
Cash and cash equivalents in designated cash and investments:		
Internally designated for capital acquisition	2,899,531	3,746,602
Internally designated for employee benefits	883,061	451,694
Internally designated for malpractice funding	126,777	197,065
Restricted by debt	<u>3,827</u>	<u>40,767</u>
Total cash and cash equivalents	\$ <u>13,195,103</u>	\$ <u>12,389,901</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 12,910,262	\$ 4,528,062
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	15,516,248	14,248,718
Provision for bad debts	44,513,106	36,295,683
Changes in:		
Patient accounts receivable	(45,938,365)	(36,367,452)
Estimated third-party payor settlements	354,653	162,098
Supplies	(1,042,773)	29,018
Other assets	(3,255,974)	757,774
Notes receivable	216,512	(145,622)
Accounts payable	2,440,530	(3,296,829)
Other accrued expenses	(299,015)	869,258
Medicare advance payments	<u>(179,435)</u>	<u>(10,715,647)</u>
Net cash provided by operating activities	\$ <u>25,235,749</u>	\$ <u>6,365,061</u>
Noncash investing activities (nearest thousand):		
Change in fair value of investments	\$ <u>10,630,000</u>	\$(<u>17,592,000</u>)

During 2022, the Authority purchased a skilled nursing facility. See Note 20 for more information.

The Authority entered into subscription-based information technology arrangements of \$1,570,913 in 2022.

The Authority entered into lease obligations of \$83,421 and \$338,660 in 2023 and 2022, respectively.

The accompanying notes are an integral part of these combined financial statements.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2023 and 2022

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

Reporting Entity

The Hospital Authority of Colquitt County (Authority), doing business as Colquitt Regional Medical Center (Medical Center), is a public corporation that operates an acute care hospital. In 2022, the Medical Center purchased a skilled nursing facility, which is now operated as Colquitt Regional Senior Care and Rehabilitation. Additionally, the Authority operates Colquitt Regional Health, Inc., which provides home health care, hospice care, and non-emergency transportation services and is a blended component unit of the Authority. The Authority is the sole member of Colquitt Regional Medical, Inc. (CRM, Inc.). CRM, Inc. was created to acquire and administer funds and property for physician practices in the Moultrie, Georgia area. Upon dissolution of CRM, Inc., all assets will revert to the Authority. The Authority elects the Board members for CRM, Inc. CRM, Inc. is a blended component unit of the Authority.

In 2022, the Authority established a segregated portfolio plan in the Georgia Health Care Insurance Company, SPC (GHCIC), which is incorporated in the Cayman Islands, and has a December 31st year end. The name of the plan is Colquitt Regional Medical Center Insurance Segregated Portfolio (Segregated Portfolio). The Segregated Portfolio provides professional and general liability self-insurance to the Authority. The Segregated Portfolio is managed by Willis Management (Cayman), Ltd. in Grand Cayman, Cayman Islands. The Segregated Portfolio is a blended component unit of the Authority.

The combined financial statements include the Medical Center, CRM, Inc., Colquitt Regional Health, Inc., and the Segregated Portfolio. All intercompany transactions have been eliminated in the combined financial statements. The combined financial statements present the Segregated Portfolio's audited financial statements as of December 31, 2022 and for the 10 month period from March 1, 2022 (date of commencement of operations) to December 31, 2022.

Authority board members are nominated by the Colquitt County Commission and appointed by the Authority. Also, the County Commissioners have guaranteed debt of the Authority. For these reasons, the Authority is considered to be a component unit of Colquitt County.

Use of Estimates

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

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 combined 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 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 account is charged against the allowance.

Supplies

Supplies are valued at the average purchase cost using the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets designated by the Board of Directors for future capital acquisition, various employee benefits, and a malpractice funding arrangement. The Board retains control over these designated funds and may, at its discretion, subsequently use them for other purposes. Noncurrent cash and investments also include assets restricted by the 2016 and 2020 Revenue Certificates issuance. Amounts required to meet current liabilities of the Authority have been reclassified in the balance sheet at September 30, 2023 and 2022.

Investments in Debt and Equity Securities

Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. All purchases exceeding \$5,000, with an estimated useful life greater than one year, are capitalized by the Authority. All capital assets other than land are depreciated or amortized (in the case of leased and subscription IT assets) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 25 years
Buildings and building improvements	20 to 40 years
Equipment, computers and furniture	3 to 10 years
Right-to-use lease assets	3 to 10 years
Right-to-use subscription IT assets	3 to 9 years

Costs of Borrowing

Costs related to the issuance of long-term debt are expensed in the period in which the debt was incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is expensed in the period in which the cost is incurred.

Compensated Absences

The Authority's employees earn vacation days at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on full-time or part-time status. Employees may accumulate vacation days and sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Government stimulus advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 18 for additional information.

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,

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Subscription-Based Information Technology Arrangements, Continued

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

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* are noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by revenue certificate agreements, as discussed in Note 8. *Unrestricted net position* is the remaining amount of net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

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.

Estimated Self-Insurance Costs

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

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Operating Revenues and Expenses

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

Grants and Contributions

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

Restricted Resources

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

Income Taxes

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

Colquitt Regional Health, Inc. is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

CRM, Inc. is a federally taxable entity organized as a not-for-profit corporation under state law and has not incurred tax expense due to operating losses.

The Segregated Portfolio conducts its affairs in a manner in which it will not be subject to U.S. Federal income tax or Georgia income tax.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Income Taxes, Continued

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

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of September 30, 2023 and 2022 or for the years then ended. Colquitt Regional Health, Inc. and CRM, Inc.'s tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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 partially self-insured for medical malpractice claims and judgments, as well as employee health and worker's compensation claims, as discussed in Notes 12 and 22.

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 combined statements of revenues, expenses and changes in net position for the years ended September 30, 2023 and 2022.

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HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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 No. 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 No. 72 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. 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 when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent the consumption or acquisition, respectively, of the Authority's net position applicable to a future reporting period. Deferred outflows of resources consist of goodwill, net of accumulated amortization, as of September 30, 2023 and 2022. See Note 19 for additional information. Deferred inflows of resources relate to lessor leases that is amortized to lease income over the lease terms.

Recently Adopted Accounting Pronouncement

In June 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. GASB 96 is effective for fiscal years beginning after June 15, 2022. The Authority adopted GASB 96 on October 1, 2022 and retroactively implemented the statement effective October 1, 2021. The adoption of this statement resulted in an increase in subscription obligations and related right-to-use subscription assets of approximately \$3,741,117 as of October 1, 2021. The adoption resulted in a decrease in net position of \$158,447.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2022 financial statements to conform to the fiscal year 2023 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

2. Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments 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 49% and 15%, respectively, of the Authority's net patient service revenue for the year ended 2023 and 52% and 9%, respectively, of the Authority's net patient service revenue for the year ended 2022. 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 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 services 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.

Nursing home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient-driven payment methodology.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

- Medicare, Continued

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor (MAC). The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through September 30, 2019.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Authority is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2019.

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.

The Authority also 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.

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. 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 an increase in hospital payments for Medicaid services of approximately 11.88%. Approximately \$1,662,000 and \$1,609,000 relating to the Act is included in medical supplies and other expense in the accompanying statements of revenues, expenses and changes in net position for the years ended September 30, 2023 and 2022, respectively.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

The Authority participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The 2023 and 2022 combined financial statements include payment adjustments of approximately \$224,000 and \$1,306,000, respectively, which are reflected in net patient service revenue.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 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 Authority has accrued or received enhanced payments of approximately \$4,569,000 and \$3,599,000 for 2023 and 2022, respectively, which is reflected in net patient service revenue.

The Authority also participates in the Medicaid Managed Care Directed Payment Program, which is a supplemental payment program for hospitals through the Georgia Department of Community Health. The 2023 and 2022 combined financial statements include payment adjustments of approximately \$4,494,000 and \$820,000, respectively, which are reflected in net patient service revenue.

During 2022, the Georgia Department of Community Health announced final approval of a new state directed payment program - Strengthening the Reinvestment Of a Necessary workforce in Georgia (GA-STRONG). This is a supplemental payment program intended to support the retention of Georgia's existing workforce and development of the next generation of healthcare providers. As a result of participation in the GA-STRONG program, the Authority recognized revenue of approximately \$11,297,000 for the year ended September 30, 2023.

- Other Agreements

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

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2023 and 2022 were approximately \$525,621,000 and \$475,365,000, respectively.

Uncompensated services include charity and indigent care services of approximately \$6,099,000 and \$8,180,000 in 2023 and 2022, respectively. The cost of charity and indigent care services provided during 2023 and 2022 was approximately \$1,840,000 and \$2,442,000, respectively, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross patient charges	\$ <u>757,188,891</u>	\$ <u>676,147,312</u>
Uncompensated services:		
Charity and indigent care	6,099,042	8,180,082
Medicare	220,652,205	185,413,488
Medicaid	54,516,258	55,758,247
Other allowances	199,840,401	189,717,482
Provision for bad debts	<u>44,513,106</u>	<u>36,295,683</u>
Total uncompensated care	<u>525,621,012</u>	<u>475,364,982</u>
Net patient service revenue	\$ <u>231,567,879</u>	\$ <u>200,782,330</u>

4. Designated Net Position

Of the approximately \$114,577,000 and \$96,334,000 of unrestricted net position reported in 2023 and 2022, approximately \$96,255,000 and \$85,197,000, respectively, have been designated by the Authority for capital improvements, various employee benefit plans, and malpractice. Designated funds remain under the control of the Board of Directors, which may at its discretion later use the funds for other purposes.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

5. Deposits and Investments

Noncurrent cash and investments are reported in current assets if they are required for obligations classified as current liabilities. As discussed in Note 1, the Authority's investments are generally carried at fair value.

The composition of noncurrent cash and investments at September 30, 2023 and 2022, is set forth in the following table:

	<u>2023</u>	<u>2022</u>
Internally designated for capital acquisition:		
Cash and cash equivalents	\$ 2,899,531	\$ 3,746,602
U.S. Treasury obligations	3,178,116	2,557,314
U.S. Government Agency securities	2,788,641	1,266,668
Other fixed income	10,945,986	11,284,087
Equity securities	62,232,293	52,788,121
Mutual fund - commodities	587,588	751,576
Public hedge funds	<u>6,238,912</u>	<u>5,881,184</u>
	<u>\$ 88,871,067</u>	<u>\$ 78,275,552</u>
Internally designated for employee benefits:		
Cash and cash equivalents	\$ 883,061	\$ 451,694
Certificates of deposit	635,000	635,000
Equity securities	<u>1,454,656</u>	<u>1,886,023</u>
	<u>2,972,717</u>	<u>2,972,717</u>
Less current portion	<u>2,337,717</u>	<u>2,337,717</u>
	<u>\$ 635,000</u>	<u>\$ 635,000</u>
Internally designated for malpractice funding arrangement:		
Cash and cash equivalents	\$ 126,777	\$ 197,065
Other fixed income	818,325	628,660
Equity securities	2,938,803	2,581,413
Mutual fund - commodities	48,158	55,704
Public hedge funds	<u>479,121</u>	<u>485,496</u>
	<u>4,411,184</u>	<u>3,948,338</u>
Less current portion	<u>2,121,398</u>	<u>2,647,758</u>
	<u>\$ 2,289,786</u>	<u>\$ 1,300,580</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

5. Deposits and Investments, Continued

	<u>2023</u>	<u>2022</u>
Restricted by 2016 and 2020 Revenue		
Certificates - debt service reserve fund:		
Cash and cash equivalents	\$ 3,827	\$ 40,767
Other fixed income	<u>3,616,354</u>	<u>3,467,334</u>
	<u>\$ 3,620,181</u>	<u>\$ 3,508,101</u>
 Total designated cash and investments	 \$ 99,875,149	 \$ 88,704,708
Less current portion of designated funds	(<u>4,459,115</u>)	(<u>4,985,475</u>)
 Noncurrent cash and investments reported as long-term	 \$ <u>95,416,034</u>	 \$ <u>83,719,233</u>
 Carrying amount:		
Deposits	\$ 9,916,907	\$ 8,588,773
Investments	<u>99,240,149</u>	<u>88,069,708</u>
 Total cash and investments	 \$ <u>109,157,056</u>	 \$ <u>96,658,481</u>
 Included in the following balance sheet options:		
Cash and cash equivalents	\$ 9,281,907	\$ 7,953,773
Current portion of designated funds	4,459,115	4,985,475
Noncurrent cash and investments	<u>95,416,034</u>	<u>83,719,233</u>
 Total cash and investments	 \$ <u>109,157,056</u>	 \$ <u>96,658,481</u>

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 or will not be able to recover collateral securities that are in the possession of an outside party. As of September 30, 2023, the Authority has no deposits exposed to custodial credit risk.

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 investments or collateral securities that are in the possession of an outside party. As of September 30, 2023, the Authority has no investments exposed to custodial credit risk.

Concentration of credit risk. As of September 30, 2023, the Authority has no investment in any one issuer that is in excess of 5% of the Authority's total investments.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

5. Deposits and Investments, Continued

As of September 30, 2023 and 2022, the Authority had the following debt securities:

September 30, 2023

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury obligations	\$ 3,178,116	March 31, 2025 - May 15, 2053 rating quality AA+
U.S. Government Agency securities	2,788,641	March 1, 2031 - May 1, 2052 rating quality AA+ to AAA
Other fixed income	<u>15,380,665</u>	Average maturity of 12 years, rating quality BBB- to AAA
Total	\$ <u>21,347,422</u>	

September 30, 2022

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury obligations	\$ 2,557,314	March 31, 2025 - May 15, 2049 rating quality AA+
U.S. Government Agency securities	1,266,668	March 1, 2031 - May 1, 2051 rating quality AA+ to AAA
Other fixed income	<u>15,380,081</u>	Average maturity of 12 years, rating quality BBB- to AAA
Total	\$ <u>19,204,063</u>	

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

6. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at September 30, 2023 and 2022 consisted of these amounts:

	<u>2023</u>	<u>2022</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 48,011,773	\$ 39,868,083
Receivable from Medicare	35,810,424	30,383,249
Receivable from Medicaid	<u>8,579,842</u>	<u>9,654,388</u>
Total patient accounts receivable	92,402,039	79,905,720
Less allowance for uncollectible amounts and contractual adjustments	<u>67,233,137</u>	<u>56,162,077</u>
Patient accounts receivable, net	\$ <u>25,168,902</u>	\$ <u>23,743,643</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 16,142,574	\$ 15,915,229
Payable to suppliers	9,628,980	7,188,450
Other accrued expenses	<u>2,121,398</u>	<u>2,647,758</u>
Total accounts payable and accrued expenses	\$ <u>27,892,952</u>	\$ <u>25,751,437</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Capital Assets

A summary of capital assets at September 30, 2023 and 2022 follows:

	Restated Balance September 30, <u>2022</u>	<u>Increase</u>	<u>Decrease</u>	Balance September 30, <u>2023</u>
Capital assets not being depreciated:				
Land	\$ 1,629,639	\$ -	\$ -	\$ 1,629,639
Projects-in-progress	<u>4,280,105</u>	<u>26,188,031</u>	<u>13,180,029</u>	<u>17,288,107</u>
Total capital assets not being depreciated	<u>5,909,744</u>	<u>26,188,031</u>	<u>13,180,029</u>	<u>18,917,746</u>
Capital assets being depreciated:				
Land improvements	5,461,554	943,852	-	6,405,406
Buildings	124,851,101	3,864,842	-	128,715,943
Equipment	<u>126,648,252</u>	<u>8,046,092</u>	<u>2,283,502</u>	<u>132,410,842</u>
Total capital assets being depreciated	<u>256,960,907</u>	<u>12,854,786</u>	<u>2,283,502</u>	<u>267,532,191</u>
Less accumulated depreciation:				
Land improvements	3,205,801	416,917	-	3,622,718
Buildings	51,375,280	5,095,384	1,321	56,469,343
Equipment	<u>92,732,543</u>	<u>8,531,549</u>	<u>1,782,386</u>	<u>99,481,706</u>
Total depreciation	<u>147,313,624</u>	<u>14,043,850</u>	<u>1,783,707</u>	<u>159,573,767</u>
Leased buildings, equipment and subscription IT assets	6,111,842	99,238	56,183	6,154,897
Less: accumulated amortization for leased buildings, equipment and subscription IT assets	<u>998,868</u>	<u>1,306,205</u>	<u>56,183</u>	<u>2,248,890</u>
Intangible right-to-use lease, and subscription IT assets, net	<u>5,112,974</u>	(1,206,967)	-	<u>3,906,007</u>
Net capital assets	\$ <u>120,670,001</u>	\$ <u>23,792,000</u>	\$ <u>13,679,824</u>	\$ <u>130,782,177</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Capital Assets, Continued

	Restated Balance September 30, <u>2021</u>	<u>Increase</u>	<u>Decrease</u>	Restated Balance September 30, <u>2022</u>
Capital assets not being depreciated:				
Land	\$ 1,616,040	\$ 13,599	\$ -	\$ 1,629,639
Projects-in-progress	<u>8,152,147</u>	<u>18,289,910</u>	<u>22,161,952</u>	<u>4,280,105</u>
Total capital assets not being depreciated	<u>9,768,187</u>	<u>18,303,509</u>	<u>22,161,952</u>	<u>5,909,744</u>
Capital assets being depreciated:				
Land improvements	3,784,336	1,677,218	-	5,461,554
Buildings	115,087,954	9,763,147	-	124,851,101
Equipment	<u>116,577,347</u>	<u>10,498,600</u>	<u>427,695</u>	<u>126,648,252</u>
Total capital assets being depreciated	<u>235,449,637</u>	<u>21,938,965</u>	<u>427,695</u>	<u>256,960,907</u>
Less accumulated depreciation:				
Land improvements	2,833,544	372,257	-	3,205,801
Buildings	46,602,476	4,775,886	3,082	51,375,280
Equipment	<u>85,134,178</u>	<u>8,009,067</u>	<u>410,702</u>	<u>92,732,543</u>
Total depreciation	<u>134,570,198</u>	<u>13,157,210</u>	<u>413,784</u>	<u>147,313,624</u>
Leased buildings, equipment and subscription IT assets	3,741,117	2,370,725	-	6,111,842
Less: accumulated amortization for leased buildings, equipment and subscription IT assets	<u>-</u>	<u>998,868</u>	<u>-</u>	<u>998,868</u>
Intangible right-to-use lease, and subscription IT assets, net	<u>3,741,117</u>	<u>1,371,857</u>	<u>-</u>	<u>5,112,974</u>
Net capital assets	\$ <u>114,388,743</u>	\$ <u>28,457,121</u>	\$ <u>22,175,863</u>	\$ <u>120,670,001</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

8. Long-Term Debt

A schedule of changes in the Authority's noncurrent liabilities for 2023 and 2022 follows:

	<u>Restated 2022 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023 Balance</u>	<u>Amounts Due Within One Year</u>
Direct placement:					
Revenue					
Certificates					
2016	\$ 23,153,381	\$ -	\$ 3,582,151	\$ 19,571,230	\$ 3,661,087
Revenue					
Certificates					
2020	25,300,355	5,574,135	1,327,009	29,547,481	1,864,529
Direct borrowings:					
Notes payable	7,329,833	-	1,249,800	6,080,033	1,220,520
Lease liabilities	239,527	83,421	103,477	219,471	85,217
Subscription IT liabilities	<u>4,716,658</u>	<u>-</u>	<u>1,091,433</u>	<u>3,625,225</u>	<u>1,100,558</u>
Total noncurrent liabilities	<u>\$ 60,739,754</u>	<u>\$ 5,657,556</u>	<u>\$ 7,353,870</u>	<u>\$ 59,043,440</u>	<u>\$ 7,931,911</u>
	<u>Restated 2021 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Restated 2022 Balance</u>	<u>Amounts Due Within One Year</u>
Direct placement:					
Revenue					
Certificates					
2016	\$ 26,657,819	\$ -	\$ 3,504,438	\$ 23,153,381	\$ 3,575,443
Revenue					
Certificates					
2020	26,594,409	-	1,294,054	25,300,355	1,324,042
Direct borrowings:					
Notes payable	1,742,559	6,500,000	912,726	7,329,833	1,331,764
Lease liabilities	-	338,660	99,133	239,527	80,117
Subscription IT liabilities	<u>3,741,117</u>	<u>1,570,913</u>	<u>595,372</u>	<u>4,716,658</u>	<u>1,091,433</u>
Total noncurrent liabilities	<u>\$ 58,735,904</u>	<u>\$ 8,409,573</u>	<u>\$ 6,405,723</u>	<u>\$ 60,739,754</u>	<u>\$ 7,402,799</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

8. Long-Term Debt, Continued

The terms and due dates of the Authority's long-term debt at September 30, 2023 and 2022 follow:

- 2016 Revenue Certificates, consisting of Series 2016A and Series 2016B, each collateralized by a pledge of the Authority's gross receipts. Series 2016A bears interest of 2.32%, principal maturing in monthly installments of \$153,106, final payment due September 5, 2031. Series 2016B bears a fixed interest rate of 2.09%, payable in monthly installments of \$185,570, final payment due September 5, 2021. The 2016 Revenue Certificates contain a provision that in an event of default, the timing of repayment of outstanding amounts may become immediately due if the Authority does not make payments according to the repayment terms or is rendered incapable of fulfilling its obligations. The Authority issued the 2016 Revenue Certificates to redeem the 2012-B Revenue Certificates, the 2013 Revenue Certificates, the 2014 Revenue Certificates, all active notes payable and to acquire the Sterling Center building. As a result of the early redemption, the Authority decreased its total debt service payments by approximately \$3.2 million which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of approximately \$2.7 million which is 7% of the principal amount refunded.
- Series 2018 Revenue Certificates, collateralized by a pledge of the Authority's gross receipts. Series 2018 was issued as an amendment to the 2016 Revenue Certificates. Series 2018 bears interest of 3.85% with interest only payments through the period of construction, and then 3.85%, with principal maturing in monthly installments. During 2021 the Authority redeemed the 2018 Revenue Certificates with proceeds from the 2020 Revenue Certificates.
- 2020 Revenue Certificates, consisting of Series 2020A and Series 2020B, each collateralized by a pledge of the Authority's gross receipts. Series 2020 was issued as an amendment to the 2016 Revenue Certificates. Series 2020A bears interest of 2.50% with interest only payments through the period of construction, then 2.50% with principal maturing in monthly installments amortized over the remaining term, with the final payment due December 2040. Series 2020B bears an interest rate of 2.50%, payable in monthly installments of \$144,465, final payment due December 2033. The 2020 Revenue Certificates contain a provision that in an event of default, the timing of repayment of outstanding amounts may become immediately due if the Authority does not make payments according to the repayment terms or is rendered incapable of fulfilling its obligations. The Authority issued the 2020A Revenue Certificates for construction of a Geriatric Psychiatry Center and make system wide infrastructure upgrades. Proceeds from Series 2020A can be drawn as construction progresses up to an amount of \$14,000,000. As of September 30, 2023, the Authority has drawn all proceeds from Series 2020A. The Authority issued the 2020B Revenue Certificates to redeem the 2018 Revenue Certificates. As a result of the early redemption, the Authority increased its total debt service payments by approximately \$2.3 million which results in an economic loss (the difference between the present value of the debt service payments on the old and new debt) of approximately \$1.9 million which is 11% of the principal amount refunded.

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HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

8. Long-Term Debt, Continued

- Note payable, related to the purchase of Colquitt Senior Care and Rehabilitation, unsecured with monthly payments of \$84,128 including interest of 2.35%.
- Note payable, collateralized by \$1 million in a deposit account and equipment, with monthly payments of \$31,775 including interest at a rate of 3.6%. The Authority's note payable contains a provision that the timing of repayment of outstanding amounts may become immediately due upon the creation of, or contract for the creation of, any lien, encumbrance, transfer, or sale of the property defined by the loan. In 2022, the Authority received a release of collateral from the lender and is no longer required to maintain deposits as collateral for this loan.
- Note payable, purchase of Stryker equipment, with seven varying yearly payments beginning in FY 2022 and ending in FY 2028, including an interest rate at 3.25%.
- Subscription IT liabilities with imputed interest ranging from 3.25% to 7.00%, payable in annual installments for various software licenses and remote hosting arrangements subscriptions ranging from approximately \$1,000 to \$102,000, and payable in monthly installments for certain subscriptions ranging from approximately \$14,000 to \$2,828,000. Secured by subscription IT assets. 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 liability.

The 2016 and 2020 Revenue Certificates place limits on the incurrence of additional borrowings and require that the Authority maintain a reserve fund sufficient to service a half year's total debt service payments on the Revenue Certificates. Management believes the Authority was in compliance with these requirements.

Colquitt County has agreed to guarantee payment of the 2016 and 2020 Revenue Certificates in the event that the revenues of the Authority are not sufficient to make scheduled debt payments. To date, no payments by Colquitt County under the guarantee have been required.

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

Year Ending September 30	Direct Placements/Borrowings		Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 6,746,136	\$ 1,256,235	\$ 85,217	\$ 5,360	\$ 1,100,558	\$ 117,637
2025	6,865,858	1,104,519	66,866	3,077	695,107	73,872
2026	6,836,851	944,428	39,440	1,405	483,930	51,946
2027	4,930,830	804,824	27,948	386	434,067	37,305
2028	5,058,019	8,033,670	-	-	448,386	22,986
2029-2033	17,763,446	1,841,508	-	-	463,177	8,194
2034-2037	4,787,354	568,247	-	-	-	-
2038-2041	<u>2,210,250</u>	<u>65,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>55,198,744</u>	\$ <u>14,618,477</u>	\$ <u>219,471</u>	\$ <u>10,228</u>	\$ <u>3,625,225</u>	\$ <u>311,940</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

9. 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 its useful life.

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

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

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

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

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.

Expenses for the leasing activity of the Authority as the lessee for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Short-term lease expense	\$ -	\$ 739,360
Right-to-use lease asset amortization	107,727	103,478
Lease liability interest expense	<u>7,857</u>	<u>7,788</u>
Total lease cost	\$ <u>115,584</u>	\$ <u>850,626</u>

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HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

10. Defined Contribution Retirement Plan

The Authority has a defined contribution retirement plan pursuant to Section 403(b) of the Internal Revenue Code covering substantially all Hospital employees. Additionally, the Authority sponsors defined contribution plans pursuant to Sections 401(a) and 457(f) of the Internal Revenue Code, which are for employer contributions only. Retirement expense was approximately \$3,498,000 and \$3,368,000 in 2023 and 2022, respectively. As of September 30, 2023 and 2022, the Authority accrued approximately \$2,791,000 and \$2,625,000, respectively, for employer portion payable that is included in accrued expenses on the balance sheet. Effective January 1, 2016, the Authority amended its defined contribution retirement plan pursuant to Section 403(b). Employees hired before January 1, 2016 are subject to the rules of the retirement plan before that date and employees hired after December 31, 2015 are subject to the new provisions of the retirement plan.

The terms of the 403(b) retirement plan are as follows:

Eligibility

In order to receive an employer contribution into the retirement plan, an eligible employee is defined as any employee employed as either **Regular Full-Time with Benefits** or **Regular Part-Time with Benefits**.

Eligibility provisions vary by contribution type and/or group as outlined below:

Any Eligible Employee Hired Before January 1, 2016

- Employer Annual Discretionary

An eligible employee is eligible to participate in the plan for purposes of this contribution(s):

- Upon attaining age twenty-one (21)
- Upon completing three (3) years of serv

Any Eligible Employee Hired After December 31, 2015

- Employer Matching

An eligible employee is eligible to participate in the plan for purposes of this contribution(s):

- Upon attaining age twenty-one (21)
- Upon completing three (3) months of service
- Automatic enrollment will occur following three (3) months of employment
- May waive automatic enrollment by affirmative election.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

10. Defined Contribution Retirement Plan, Continued

Employer Contributions

For Employees Hired Before January 1, 2016

The Authority provides an employer discretionary nonelective contribution of 10% of the eligible employee's base pay for each eligible plan year. An eligible employee must:

- have completed at least three (3) years of service and have reached age twenty-one (21)
- have earned eligible compensation to an eligible class during the plan year
- be employed as an eligible employee on the last day of the plan year (December 31st).

For Employees Hired After December 31, 2015

Colquitt Regional Medical Center provides an employer matching contribution for each eligible employee beginning with the first payroll following ninety (90) days of employment.

The employee match is 100% of the first 5% of salary reduction contribution.

For Employees Hired After December 31, 2022

Colquitt Regional Medical Center provides an employer matching contribution for each eligible employee beginning with the payroll following the first month following thirty (30) days of employment.

The employer match is 50%, up to 6% of the employee's deferral amount.

If an employee leaves Colquitt Regional Medical Center and remains absent for six (6) months or longer, upon retirement they are considered a new employee for purposes of eligibility and vesting.

Vesting

The annual employer discretionary nonelective contributions for eligible employees hired before January 1, 2016, are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vesting Percent</u>
1	0%
2	0%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

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HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

10. Defined Contribution Retirement Plan, Continued

Vesting, Continued

The matching employer contributions for eligible employees hired after December 31, 2015, are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vesting Percent</u>
1 - 2	0%
3	25%
4	50%
5	75%
6 or more	100%

The matching employer contributions for eligible employees hired after December 31, 2022, are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vesting Percent</u>
1 - 2	0%
3	25%
4	50%
5	75%
6 or more	100%

11. Related Party

The Colquitt Regional Medical Foundation is a not-for-profit organization established for the purpose of supporting the Medical Center and the health care community of Colquitt County.

A summary of the Foundation's assets, liabilities, net assets, and changes in net assets follows:

	<u>2023</u>	<u>2022</u>
Assets, principally cash, investments, unconditional promises to give, and property	\$ <u>11,123,379</u>	\$ <u>9,732,888</u>
Liabilities, principally accounts payable, amounts due to related party, and use obligation subject to life estate	\$ 149,613	\$ 272,383
Net assets	<u>10,973,766</u>	<u>9,460,505</u>
Total liabilities and net assets	\$ <u>11,123,379</u>	\$ <u>9,732,888</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

11. Related Party, Continued

	<u>2023</u>	<u>2022</u>
Revenues and investment income (losses)	\$ 2,084,998	\$(923,503)
Expenses	<u>571,737</u>	<u>505,488</u>
Increase (decrease) in net assets	1,513,261	(1,428,991)
Net assets, beginning of year	<u>9,460,505</u>	<u>10,889,496</u>
Net assets, end of year	\$ <u>10,973,766</u>	\$ <u>9,460,505</u>

12. Commitments and Contingencies

Health and Worker's Compensation Claims

The Authority is partially self-insured for employee health and worker's compensation claims. The Authority's self-insurance program for employee health utilizes a third-party administrator that processes and pays claims. The Authority reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$200,000 for each individual employee. The stop-loss coverage is also subject to an aggregating deductible of \$78,000 per policy year. Total expenses relative to this plan were approximately \$8,359,000 and \$6,454,000 for 2023 and 2022, respectively. The Authority's self-insurance program for worker's compensation has purchased stop-loss insurance coverage for claims in excess of \$450,000 for each individual employee. Stop-loss coverage for the worker's compensation plan is capped at \$1 million. Total expenses relative to this plan were approximately \$480,000 and \$402,000 for 2023 and 2022, respectively. The Authority accrues liabilities for estimated incurred but unpaid claims based on historical experience and an evaluation of incidents reported under its incident reporting system. The Authority reports accrued claims in accrued expenses on the combined balance sheets. At September 30, 2023 and 2022, the Authority had investments of approximately \$635,000 designated for worker's compensation claims. At September 30, 2023 and 2022, the Authority had investments of approximately \$850,000, designated for employee health insurance claims.

Litigation

During the normal course of operations, the Authority is potentially subject to liabilities 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 September 30, 2023 and 2022.

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

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

12. Commitments and Contingencies, Continued

Regulatory Compliance, Continued

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.

13. Concentrations of Credit Risk

The Authority is located in Moultrie, Georgia. The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. See Note 6 for a mix of receivables from patients and third-party payors at September 30, 2023 and 2022.

14. 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.

15. 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, current portion of designated funds, estimated third-party payor settlements, accounts payable, accrued expenses, grant stimulus unearned revenue, and Medicare advance payments:* The carrying amount reported in the balance sheets approximates their fair value due to the short-term nature of these instruments.
- *Noncurrent cash and investments:* These assets consist primarily of cash, cash equivalents, certificates of deposit, investments and interest receivable. Fair values, which are the amounts reported in the balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities or other market conditions. See Note 16 for fair value measurement disclosure.
- *Long-term debt:* The fair value of the Authority's remaining long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

15. Fair Value of Financial Instruments, Continued

The carrying amounts and fair values of the Authority's long-term debt at September 30, 2023 and 2022, are as follows:

	2023		2022	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ <u>55,198,744</u>	\$ <u>52,930,427</u>	\$ <u>55,783,569</u>	\$ <u>53,854,504</u>

16. Fair Value Measurement

Fair value of assets and liabilities measured on a recurring basis at September 30, 2023 and 2022 is as follows:

		Fair Value Measurements at Reporting Date Using		
	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2023</u>				
Assets:				
Cash equivalents	\$ 3,913,196	\$ 3,913,196	\$ -	\$ -
U.S. Treasury obligations	3,178,116	3,178,116	-	-
U.S. Government Agency securities	2,788,641	-	2,788,641	-
Other fixed income	15,380,665	1,338,455	14,042,210	-
Equity securities	66,625,752	66,625,752	-	-
Mutual funds - commodities	635,746	635,746	-	-
Public hedge funds	<u>6,718,033</u>	<u>6,718,033</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>99,240,149</u>	\$ <u>82,409,298</u>	\$ <u>16,830,851</u>	\$ <u>-</u>
<u>September 30, 2022</u>				
Assets:				
Cash equivalents	\$ 4,436,128	\$ 4,436,128	\$ -	\$ -
U.S. Treasury obligations	2,557,314	2,557,314	-	-
U.S. Government Agency securities	1,266,668	3,157	1,263,511	-
Other fixed income	15,380,081	5,323,201	10,056,880	-
Equity securities	57,255,557	57,255,557	-	-
Mutual funds - commodities	807,280	807,280	-	-
Public hedge funds	<u>6,366,680</u>	<u>6,366,680</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>88,069,708</u>	\$ <u>76,749,317</u>	\$ <u>11,320,391</u>	\$ <u>-</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

16. Fair Value Measurement, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. All assets and liabilities have been valued using a market approach.

Certain cash equivalents are valued at amortized cost, which approximates fair value.

U.S. Government Agency securities and other fixed income are primarily valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

17. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program effective for calendar years 2023 and 2022. Contributions received under the program approximated \$4,062,000 and \$4,158,000 during the Authority's fiscal year 2023 and 2022, respectively.

18. Coronavirus (COVID-19)

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

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to healthcare providers for

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

18. Coronavirus (COVID-19), Continued

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 nonoperating revenues in the statements of revenues, expenses, and changes in net position. The Authority received approximately \$26.3 million in grant stimulus funding in FY 2020 through FY 2023. The CARES and ARP Act funding may be subject to audits. While the Authority currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results. The Authority recognized approximately \$3.0 million, \$8.9 million, \$7.1 million, and \$7.1 million as revenue in FY 2023, FY 2022, FY 2021 and FY 2020, respectively.

The CARES Act expanded the existing Medicare Accelerated and Advance Payment (MAAP) program by allowing qualifying providers to receive an advanced Medicare payment. The advanced payment will have to be repaid. Recoupment begins one year after the date of receipt of the advanced payment with 25% of each Medicare remittance advice withheld for the first 11 months of repayment, and 50% for the six months afterward. After the 29-month period, CMS will issue letters requiring payment of any outstanding balance, subject to an interest rate of 4%. In April 2020, the Authority received approximately \$14.5 million in MAAP payments. The Authority repaid all MAAP payments within the 29-month payment period with no interest incurred.

19. Deferred Outflows of Resources

Deferred outflows of resources consisted of the following:

	<u>2023</u>	<u>2022</u>
Goodwill, net of amortization	\$ <u>3,217,975</u>	\$ <u>3,392,706</u>

Goodwill is reported net of accumulated amortization expense and is amortized over sixty months. Amortization expense is reported in depreciation and amortization in the amount of approximately \$175,000 and \$102,000 for 2023 and 2022, respectively.

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

20. Acquisition of Cobblestone Rehabilitation and Healthcare Center

In February 2022, the Authority acquired Cobblestone Rehabilitation and Healthcare Center, a skilled nursing facility. The Authority operates the skilled nursing facility as Colquitt Regional Senior Care and Rehabilitation (CRSC), which is a hospital-based department of the Medical Center. The Authority acquired CRSC to expand its senior care and rehabilitation services within the community. The Authority acquired CRSC for \$5.9 million. See Note 19 for goodwill amounts, net of amortization as of the balance sheet dates. The following assets were recognized from the purchase (at fair value):

Land	\$ 405,367
Buildings	2,000,000
Goodwill	<u>3,494,633</u>
Total	<u>\$ 5,900,000</u>

21. Notes Receivable

Notes receivable consist primarily of loans secured by promissory notes to physicians under recruiting arrangements. In general, the loans are being forgiven over a period of time in which the physician practices medicine locally. If the physician discontinues medical practice locally, the outstanding principal and accrued interest becomes due immediately. The amounts forgiven and charged to expense during 2023 and 2022 were approximately \$448,000 and \$335,000, respectively.

Notes receivable also consist of educational loans to physicians. In general, the educational loans are forgiven over a period of time in which the employee works for the Authority.

22. Self-Insurance

Colquitt Regional Medical Center Insurance Segregated Portfolio (Segregated Portfolio), was incorporated on March 1, 2022 as a segregated portfolio of Georgia Health Care Insurance Company SPC (the SPC). The SPC is an exempted company under the Companies Law of the Cayman Islands. The Segregated Portfolio is a blended component unit of Hospital Authority of Colquitt County (Authority) established to provide general liability, professional liability and employee benefit plan administration liability coverage to the Authority and its affiliated entities.

The Segregated Portfolio issues a claims-made policy with a per occurrence limit of \$2,000,000 and \$1,000,000 for 2023 and 2022, respectively, and an annual aggregate of \$6,000,000 and \$3,000,000 for 2023 and 2022, respectively. The Authority has also purchased excess liability coverage which covers \$10,000,000 per occurrence and in aggregate in excess of the Segregated Portfolio coverage of \$6,000,000. At September 30, 2023, there are known claims and incidents that may result in additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

22. Self-Insurance, Continued

patients. Losses from asserted and unasserted claims are accrued based on claims reported and estimated claims incurred but not reported as derived from the Authority's incident reporting system. The Segregated Portfolio reports accrued claims in accrued expenses as a liability.

At September 30, 2023 and 2022, the Authority had investments of approximately \$4,411,000 and \$3,948,000 which are designated by the Board of Directors for potential malpractice claims.

A summary of the Segregated Portfolio's assets, liabilities, equity, and net income is as follows:

	Unaudited <u>September 30, 2023</u>	<u>December 31, 2022</u>
Assets:		
Cash and cash equivalents	\$ 1,263,412	\$ 1,173,242
Investments	2,842,057	-
Premium receivable	80,986	2,799,005
Other assets	<u>7,292</u>	<u>54,167</u>
Total assets	\$ <u>4,193,747</u>	\$ <u>4,026,414</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 2,866,591	\$ 696,708
Unearned premium reserve	<u>311,001</u>	<u>3,110,005</u>
Total liabilities	3,177,592	3,806,713
Equity	<u>1,016,155</u>	<u>219,701</u>
Total liabilities and equity	\$ <u>4,193,747</u>	\$ <u>4,026,414</u>
	Unaudited	
	Nine Months Ended	Ten Months Ended
	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Premium income	\$ 3,084,360	\$ 945,001
Insurance expenses	<u>2,287,906</u>	<u>825,300</u>
Net income	\$ <u>796,454</u>	\$ <u>119,701</u>

After January 1, 2023, the Authority contributed approximately \$2,900,000 in premium payments to the Segregated Portfolio which is expensed on the books of the Authority at September 30, 2023 and is not eliminated because of the difference in fiscal year ends. The Segregated Portfolio used these funds to purchase marketable securities. After January 1, 2023, the Segregated Portfolio recorded additional malpractice liabilities of approximately \$2,100,000.



INDEPENDENT AUDITOR'S REPORT ON COMBINING INFORMATION

Board of Directors
Hospital Authority of Colquitt County
Moultrie, Georgia

We have audited the combined financial statements of the Hospital Authority of Colquitt County (Authority), a component unit of Colquitt County, Georgia, as of and for the years ended September 30, 2023 and 2022, and our report thereon dated January 22, 2024, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information included in this report on pages 47 to 52, inclusive, is presented for purposes of additional analysis of the combined financial statements rather than to present the balance sheet and statement of revenues and expenses of the individual companies, and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information, which insofar as it relates to Colquitt Regional Medical Center Insurance Segregated Portfolio is based on the report of other auditors, is fairly stated in all material respects in relation to the combined financial statements as a whole.

Draffin & Tucker, LLP

Albany, Georgia
January 22, 2024

Let's Think Together.®

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)
COMBINING BALANCE SHEET
September 30, 2023

	Colquitt Regional Medical Center	Colquitt Regional Health, Inc.	Colquitt Regional Medical, Inc.	December 31, 2022 Colquitt Regional Medical Center Insurance Segregated Portfolio	Combined Total	Eliminating Journal Entries	Hospital Authority of Colquitt County
Current assets:							
Cash and cash equivalents	\$ 6,456,549	\$ 142,263	\$ 1,509,853	\$ 1,173,242	\$ 9,281,907	\$ -	\$ 9,281,907
Current portion of designated funds	4,459,115	-	-	-	4,459,115	-	4,459,115
Patient accounts receivable, net	21,623,218	516,067	3,029,617	-	25,168,902	-	25,168,902
Supplies	5,704,254	-	-	-	5,704,254	-	5,704,254
Due from related parties	4,767,572	-	-	2,799,005	7,566,577	(7,566,577)	-
Notes receivable, current portion	454,099	-	-	-	454,099	-	454,099
Other current assets	<u>7,337,424</u>	<u>-</u>	<u>(6,290)</u>	<u>54,167</u>	<u>7,385,301</u>	<u>-</u>	<u>7,385,301</u>
Total current assets	<u>50,802,231</u>	<u>658,330</u>	<u>4,533,180</u>	<u>4,026,414</u>	<u>60,020,155</u>	<u>(7,566,577)</u>	<u>52,453,578</u>
Noncurrent cash and investments	<u>95,416,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,416,034</u>	<u>-</u>	<u>95,416,034</u>
Capital assets, net	<u>130,627,422</u>	<u>154,755</u>	<u>-</u>	<u>-</u>	<u>130,782,177</u>	<u>-</u>	<u>130,782,177</u>
Other assets	<u>2,400,661</u>	<u>23,066</u>	<u>6,000</u>	<u>-</u>	<u>2,429,727</u>	<u>(100,000)</u>	<u>2,329,727</u>
Total assets	279,246,348	836,151	4,539,180	4,026,414	288,648,093	(7,666,577)	280,981,516
Deferred outflows of resources:							
Goodwill	<u>3,217,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,217,975</u>	<u>-</u>	<u>3,217,975</u>
Total assets and deferred outflows of resources	\$ <u>282,464,323</u>	\$ <u>836,151</u>	\$ <u>4,539,180</u>	\$ <u>4,026,414</u>	\$ <u>291,866,068</u>	\$ <u>(7,666,577)</u>	\$ <u>284,199,491</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)
COMBINING BALANCE SHEET, Continued
September 30, 2023

	Colquitt Regional Medical Center	Colquitt Regional Health, Inc.	Colquitt Regional Medical, Inc.	December 31, 2022 Colquitt Regional Medical Center Insurance Segregated Portfolio	Combined Total	Eliminating Journal Entries	Hospital Authority of Colquitt County
Current liabilities:							
Current installments of long-term debt	\$ 7,931,911	\$ -	\$ -	\$ -	\$ 7,931,911	\$ -	\$ 7,931,911
Accounts payable	8,278,520	2,899	650,853	696,708	9,628,980	-	9,628,980
Accrued expenses	16,802,083	192	1,461,697	3,110,005	21,373,977	(3,110,005)	18,263,972
Estimated third-party payor settlements	1,102,352	-	57,516	-	1,159,868	-	1,159,868
Due to related parties	-	435,764	4,331,808	-	4,767,572	(4,767,572)	-
Grant stimulus unearned revenue	<u>272,626</u>	<u>-</u>	<u>10,113</u>	<u>-</u>	<u>282,739</u>	<u>-</u>	<u>282,739</u>
Total current liabilities	34,387,492	438,855	6,511,987	3,806,713	45,145,047	(7,877,577)	37,267,470
Long-term debt, excluding current installments	<u>51,111,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,111,529</u>	<u>-</u>	<u>51,111,529</u>
Total liabilities	85,499,021	438,855	6,511,987	3,806,713	96,256,576	(7,877,577)	88,378,999
Deferred inflows of resources	<u>5,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,608</u>	<u>-</u>	<u>5,608</u>
Total liabilities and deferred inflows of resources	85,504,629	438,855	6,511,987	3,806,713	96,262,184	(7,877,577)	88,384,607
Net position	<u>196,959,694</u>	<u>397,296</u>	<u>(1,972,807)</u>	<u>219,701</u>	<u>195,603,884</u>	<u>211,000</u>	<u>195,814,884</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>282,464,323</u>	\$ <u>836,151</u>	\$ <u>4,539,180</u>	\$ <u>4,026,414</u>	\$ <u>291,866,068</u>	\$ <u>(7,666,577)</u>	\$ <u>284,199,491</u>

See accompanying auditor's report on combining information.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)
COMBINING BALANCE SHEET
September 30, 2022

	Colquitt Regional Medical Center	Colquitt Regional Health, Inc.	Colquitt Regional Medical, Inc.	Colquitt Regional Medical Center Insurance Segregated Portfolio	Combined Total	Eliminating Journal Entries	Hospital Authority of Colquitt County
Current assets:							
Cash and cash equivalents	\$ 7,222,933	\$ 112,667	\$ 257,263	\$ 360,910	\$ 7,953,773	\$ -	\$ 7,953,773
Current portion of designated funds	4,985,475	-	-	-	4,985,475	-	4,985,475
Patient accounts receivable, net	20,471,936	452,220	2,819,487	-	23,743,643	-	23,743,643
Supplies	4,661,481	-	-	-	4,661,481	-	4,661,481
Due from related parties	1,350,990	-	-	-	1,350,990	(1,350,990)	-
Notes receivable, current portion	480,610	-	-	-	480,610	-	480,610
Other current assets	<u>4,649,137</u>	<u>-</u>	<u>(6,290)</u>	<u>5,428</u>	<u>4,648,275</u>	<u>-</u>	<u>4,648,275</u>
Total current assets	<u>43,822,562</u>	<u>564,887</u>	<u>3,070,460</u>	<u>366,338</u>	<u>47,824,247</u>	<u>(1,350,990)</u>	<u>46,473,257</u>
Noncurrent cash and investments	<u>83,719,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,719,233</u>	<u>-</u>	<u>83,719,233</u>
Capital assets, net	<u>120,498,742</u>	<u>171,259</u>	<u>-</u>	<u>-</u>	<u>120,670,001</u>	<u>-</u>	<u>120,670,001</u>
Other assets	<u>2,200,866</u>	<u>23,066</u>	<u>6,000</u>	<u>-</u>	<u>2,229,932</u>	<u>(100,000)</u>	<u>2,129,932</u>
Total assets	250,241,403	759,212	3,076,460	366,338	254,443,413	(1,450,990)	252,992,423
Deferred outflows of resources:							
Goodwill	<u>3,392,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,392,706</u>	<u>-</u>	<u>3,392,706</u>
Total assets and deferred outflows of resources	\$ <u>253,634,109</u>	\$ <u>759,212</u>	\$ <u>3,076,460</u>	\$ <u>366,338</u>	\$ <u>257,836,119</u>	\$ <u>(1,450,990)</u>	\$ <u>256,385,129</u>

Continued

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)
COMBINING BALANCE SHEET, Continued
September 30, 2022

	Colquitt Regional Medical Center	Colquitt Regional Health, Inc.	Colquitt Regional Medical, Inc.	Colquitt Regional Medical Center Insurance Segregated Portfolio	Combined Total	Eliminating Journal Entries	Hospital Authority of Colquitt County
Current liabilities:							
Current installments of long-term debt	\$ 7,402,799	\$ -	\$ -	\$ -	\$ 7,402,799	\$ -	\$ 7,402,799
Current portion of Medicare advance payments	121,915	-	57,520	-	179,435	-	179,435
Accounts payable	6,123,531	2,419	1,014,225	48,275	7,188,450	-	7,188,450
Accrued expenses	17,419,982	-	999,737	183,643	18,603,362	(40,375)	18,562,987
Estimated third-party payor settlements	805,215	-	-	-	805,215	-	805,215
Due to related parties	-	493,212	857,778	-	1,350,990	(1,350,990)	-
Grant stimulus unearned revenue	<u>3,034,826</u>	<u>-</u>	<u>10,113</u>	<u>-</u>	<u>3,044,939</u>	<u>-</u>	<u>3,044,939</u>
Total current liabilities	34,908,268	495,631	2,939,373	231,918	38,575,190	(1,391,365)	37,183,825
Long-term debt, excluding current installments	<u>53,336,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,336,955</u>	<u>-</u>	<u>53,336,955</u>
Total liabilities	88,245,223	495,631	2,939,373	231,918	91,912,145	(1,391,365)	90,520,780
Deferred inflows of resources	<u>11,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,215</u>	<u>-</u>	<u>11,215</u>
Total liabilities and deferred inflows of resources	88,256,438	495,631	2,939,373	231,918	91,923,360	(1,391,365)	90,531,995
Net position	<u>165,377,671</u>	<u>263,581</u>	<u>137,087</u>	<u>134,420</u>	<u>165,912,759</u>	<u>(59,625)</u>	<u>165,853,134</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>253,634,109</u>	\$ <u>759,212</u>	\$ <u>3,076,460</u>	\$ <u>366,338</u>	\$ <u>257,836,119</u>	\$ <u>(1,450,990)</u>	\$ <u>256,385,129</u>

See accompanying auditor's report on combining information.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)
COMBINING STATEMENT OF REVENUES AND EXPENSES
September 30, 2023

	Colquitt Regional Medical Center	Colquitt Regional Health, Inc.	Colquitt Regional Medical, Inc.	December 31, 2022 Colquitt Regional Medical Center Insurance Segregated Portfolio	Combined Total	Eliminating Journal Entries	Hospital Authority of Colquitt County
Operating revenues:							
Net patient service revenue	\$ 201,577,151	\$ 3,003,398	\$ 27,511,361	\$ -	\$ 232,091,910	\$ (524,031)	\$ 231,567,879
Other revenue	<u>11,381,989</u>	<u>423,208</u>	<u>-</u>	<u>945,001</u>	<u>12,750,198</u>	<u>(3,581,749)</u>	<u>9,168,449</u>
Total operating revenues	<u>212,959,140</u>	<u>3,426,606</u>	<u>27,511,361</u>	<u>945,001</u>	<u>244,842,108</u>	<u>(4,105,780)</u>	<u>240,736,328</u>
Operating expenses:							
Salaries and wages	76,220,696	2,185,872	8,536,102	-	86,942,670	-	86,942,670
Employee health and welfare	18,484,088	559,408	2,430,095	-	21,473,591	-	21,473,591
Medical supplies and other expense	72,681,269	436,426	4,930,261	825,300	78,873,256	(4,104,139)	74,769,117
Professional fees	6,615,950	-	15,317,321	-	21,933,271	(312,641)	21,620,630
Purchased services	6,847,671	80,380	575,759	-	7,503,810	-	7,503,810
Depreciation and amortization	<u>15,297,627</u>	<u>30,806</u>	<u>187,815</u>	<u>-</u>	<u>15,516,248</u>	<u>-</u>	<u>15,516,248</u>
Total operating expenses	<u>196,147,301</u>	<u>3,292,892</u>	<u>31,977,353</u>	<u>825,300</u>	<u>232,242,846</u>	<u>(4,416,780)</u>	<u>227,826,066</u>
Operating income (loss)	<u>16,811,839</u>	<u>133,714</u>	<u>(4,465,992)</u>	<u>119,701</u>	<u>12,599,262</u>	<u>311,000</u>	<u>12,910,262</u>
Nonoperating revenues (expenses):							
Investment income (loss)	11,667,180	-	-	-	11,667,180	-	11,667,180
Interest expense	(1,537,169)	-	-	-	(1,537,169)	-	(1,537,169)
Grant stimulus funding	3,000,000	-	-	-	3,000,000	-	3,000,000
Rural hospital tax credit and other	<u>3,647,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,647,157</u>	<u>-</u>	<u>3,647,157</u>
Total nonoperating revenues (expenses)	<u>16,777,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,777,168</u>	<u>-</u>	<u>16,777,168</u>
Excess revenues (expenses)	\$ <u>33,589,007</u>	\$ <u>133,714</u>	\$ <u>(4,465,992)</u>	\$ <u>119,701</u>	\$ <u>29,376,430</u>	\$ <u>311,000</u>	\$ <u>29,687,430</u>

See accompanying auditor's report on combining information.

HOSPITAL AUTHORITY OF COLQUITT COUNTY
(A Component Unit of Colquitt County, Georgia)
COMBINING STATEMENT OF REVENUES AND EXPENSES
September 30, 2022

	Colquitt Regional Medical Center	Colquitt Regional Health, Inc.	Colquitt Regional Medical, Inc.	Colquitt Regional Medical Center Insurance Segregated Portfolio	Combined Total	Eliminating Journal Entries	Hospital Authority of Colquitt County
Operating revenues:							
Net patient service revenue	\$ 173,999,412	\$ 2,544,770	\$ 24,712,902	\$ -	\$ 201,257,084	\$(474,754)	\$ 200,782,330
Other revenue	<u>7,167,250</u>	<u>739,538</u>	<u>-</u>	<u>282,625</u>	<u>8,189,413</u>	<u>(2,569,815)</u>	<u>5,619,598</u>
Total operating revenues	<u>181,166,662</u>	<u>3,284,308</u>	<u>24,712,902</u>	<u>282,625</u>	<u>209,446,497</u>	<u>(3,044,569)</u>	<u>206,401,928</u>
Operating expenses:							
Salaries and wages	71,336,052	2,060,786	7,091,079	-	80,487,917	-	80,487,917
Employee health and welfare	16,063,425	571,552	2,116,329	-	18,751,306	-	18,751,306
Medical supplies and other expense	60,175,035	411,528	5,446,223	248,205	66,280,991	(2,820,848)	63,460,143
Professional fees	5,093,235	-	13,199,984	-	18,293,219	(264,096)	18,029,123
Purchased services	6,565,111	75,479	256,069	-	6,896,659	-	6,896,659
Depreciation and amortization	<u>14,020,685</u>	<u>31,466</u>	<u>196,567</u>	<u>-</u>	<u>14,248,718</u>	<u>-</u>	<u>14,248,718</u>
Total operating expenses	<u>173,253,543</u>	<u>3,150,811</u>	<u>28,306,251</u>	<u>248,205</u>	<u>204,958,810</u>	<u>(3,084,944)</u>	<u>201,873,866</u>
Operating income (loss)	<u>7,913,119</u>	<u>133,497</u>	<u>(3,593,349)</u>	<u>34,420</u>	<u>4,487,687</u>	<u>40,375</u>	<u>4,528,062</u>
Nonoperating revenues (expenses):							
Investment income (loss)	(15,918,356)	-	-	-	(15,918,356)	-	(15,918,356)
Interest expense	(1,537,708)	-	-	-	(1,537,708)	-	(1,537,708)
Grant stimulus funding	8,750,223	-	100,000	-	8,850,223	-	8,850,223
Rural hospital tax credit and other	<u>4,167,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,167,728</u>	<u>-</u>	<u>4,167,728</u>
Total nonoperating revenues (expenses)	<u>(4,538,113)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(4,438,113)</u>	<u>-</u>	<u>(4,438,113)</u>
Excess revenues (expenses)	\$ <u>3,375,006</u>	\$ <u>133,497</u>	\$ <u>(3,493,349)</u>	\$ <u>34,420</u>	\$ <u>49,574</u>	\$ <u>40,375</u>	\$ <u>89,949</u>

See accompanying auditor's report on combining information.

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
Hospital Authority of Colquitt County
Moultrie, 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 combined financial statements of Hospital Authority of Colquitt County (Authority), a component unit of Colquitt County, Georgia which comprise the combined balance sheet as of September 30, 2023, and the related combined statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 22, 2024.

Our report includes a reference to other auditors who audited the financial statements of Colquitt Regional Medical Center Insurance Segregated Portfolio, a blended component unit, as described in our report on the Authority's combined financial statements. The financial statements of Colquitt Regional Medical Center Insurance Segregated Portfolio, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Colquitt Regional Medical Center Insurance Segregated Portfolio.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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.

Continued

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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.

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 combined 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 combined 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 instance 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
January 22, 2024