THE HOSPITAL AUTHORITY OF JEFFERSON COUNTY AND THE CITY OF LOUISVILLE, GEORGIA

(A Component Unit of Jefferson County, Georgia)

FINANCIAL STATEMENTS

for the years ended December 31, 2022 and 2021

Draffin Tucker

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INDEPENDENT AUDITOR'S REPORT

Hospital Authority Members
The Hospital Authority of Jefferson County and
The City of Louisville, Georgia
Louisville, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Hospital Authority of Jefferson County and The City of Louisville, Georgia, a component unit of Jefferson County, Georgia, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Hospital Authority of Jefferson County and The City of Louisville, Georgia (Authority), as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Continued

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Emphasis of Matters

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the financial statements, the Authority is fiscally dependent on Jefferson County. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

Continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, 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

Atlanta, Georgia
June 29, 2023

THE HOSPITAL AUTHORITY OF JEFFERSON COUNTY
AND THE CITY OF LOUISVILLE, GEORGIA
(A Component Unit of Jefferson County, Georgia)

Balance Sheets
December 31, 2022 and 2021

	2022	Restated 2021
Assets:		
Current assets:		
Cash and cash equivalents	$ 2,133,000	$ 3,982,000
Patient accounts receivable, net of estimated uncollectibles of $2,303,000 in 2022 and $1,585,000 in 2021	1,995,000	1,507,000
Estimated third-party payor settlements	334,000	9,000
City and County capital contributions receivable	-	8,000
Rural hospital tax credit contributions receivable	126,000	-
Health insurance stop-loss receivable	82,000	69,000
Rural hospital stabilization grant receivable	64,000	338,000
CARES and ARP Act funding receivable	149,000	-
Other receivable	20,000	119,000
Supplies, at lower of cost (first-in, first-out) or market	212,000	172,000
Prepaid expenses	43,000	81,000
Total current assets	5,158,000	6,285,000
Noncurrent cash and cash equivalents:		
Held by trustee for debt service	271,000	1,675,000
Restricted by bond covenant for capital acquisitions	256,000	252,000
Total noncurrent cash and cash equivalents	527,000	1,927,000
Capital assets:		
Land	76,000	76,000
Construction-in-progress	101,000	84,000
Depreciable capital assets, net of accumulated depreciation	10,423,000	10,101,000
Total capital assets, net of accumulated depreciation	10,600,000	10,261,000
Other assets:		
Prepaid recruitment expense	-	8,000
Total assets	$ 16,285,000	$ 18,481,000

Continued

THE HOSPITAL AUTHORITY OF JEFFERSON COUNTY
AND THE CITY OF LOUISVILLE, GEORGIA
(A Component Unit of Jefferson County, Georgia)

Balance Sheets, Continued
December 31, 2022 and 2021

	2022	Restated 2021
Liabilities and Net Position:		
Current liabilities:		
Current maturities of long-term debt	$ 565,000	$ 580,000
Current portion of County interim support contract payments	-	60,000
Current portion of Medicare advance payments	-	907,000
Accounts payable	1,173,000	1,177,000
Accrued expenses	917,000	806,000
Estimated third-party payor settlements	130,000	589,000
Unearned CARES and ARP Act funding	-	1,209,000
Unearned grant revenue	60,000	-
Total current liabilities	2,845,000	5,328,000
Long-term liabilities:		
Long-term debt, net of current maturities	3,589,000	4,155,000
Total liabilities	6,434,000	9,483,000
Net position:		
Net investment in capital assets	6,446,000	5,526,000
Restricted for capital acquisitions	256,000	252,000
Unrestricted	3,149,000	3,220,000
Total net position	9,851,000	8,998,000
Total liabilities and net position	$ 16,285,000	$ 18,481,000

See accompanying notes to financial statements.

THE HOSPITAL AUTHORITY OF JEFFERSON COUNTY
AND THE CITY OF LOUISVILLE, GEORGIA
(A Component Unit of Jefferson County, Georgia)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
Net patient service revenue (net of provision for bad debts of $3,445,000 in 2022 and $2,729,000 in 2021)	$ 14,472,000	$ 12,192,000
Other	937,000	947,000
Total operating revenues	15,409,000	13,139,000
Operating expenses:		
Salaries and wages	8,628,000	7,166,000
Employee benefits	1,503,000	1,514,000
Supplies and drugs	1,340,000	1,192,000
Professional fees	933,000	844,000
Purchased services	4,410,000	3,099,000
Depreciation and amortization	1,133,000	856,000
Other	1,587,000	1,506,000
Total operating expenses	19,534,000	16,177,000
Operating loss	(4,125,000)	(3,038,000)
Nonoperating revenues (expenses):		
County contributions for indigent care	1,551,000	1,533,000
Rural hospital tax credit contributions	1,259,000	591,000
Rural hospital stabilization grants	783,000	724,000
CARES and ARP Act funding	1,458,000	2,811,000
Interest expense	(121,000)	(164,000)
Loss on disposal of equipment	(153,000)	-
Total nonoperating revenues	4,777,000	5,495,000
Excess revenues before capital contributions	652,000	2,457,000
Capital contributions:		
City and County capital contributions for bond payments	201,000	201,000
Change in net position	853,000	2,658,000
Net position, beginning of year	8,998,000	6,340,000
Net position, end of year	$ 9,851,000	$ 8,998,000

See accompanying notes to financial statements.

THE HOSPITAL AUTHORITY OF JEFFERSON COUNTY
AND THE CITY OF LOUISVILLE, GEORGIA
(A Component Unit of Jefferson County, Georgia)

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 13,200,000	$ 12,835,000
Payments to employees	(10,019,000)	(8,515,000)
Payments to suppliers and contractors	(8,182,000)	(6,491,000)
Recoupment of Medicare advance payments	(907,000)	(376,000)
Other receipts	937,000	947,000
Net cash used by operating activities	(4,971,000)	(1,600,000)
Cash flows from noncapital financing activities:		
County contributions for indigent care	1,551,000	1,533,000
Rural hospital tax credit contributions	1,133,000	650,000
Rural hospital stabilization grants	1,057,000	386,000
Noncapital grant	60,000	-
CARES and ARP Act funding	100,000	1,541,000
Repayment of County interim support contract payments	(60,000)	(120,000)
Net cash provided by noncapital financing activities	3,841,000	3,990,000
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt	-	4,123,000
Principal paid on long-term debt	(581,000)	(3,340,000)
Interest paid on long-term debt	(122,000)	(146,000)
Purchase of capital assets	(1,663,000)	(4,032,000)
Capital contributions from City and County	209,000	203,000
Proceeds from sale of equipment	38,000	-
Net cash used by capital and related financing activities	(2,119,000)	(3,192,000)
Net decrease in cash and cash equivalents	(3,249,000)	(802,000)
Cash and cash equivalents, beginning of year	5,909,000	6,711,000
Cash and cash equivalents, end of year	$ 2,660,000	$ 5,909,000

Continued

THE HOSPITAL AUTHORITY OF JEFFERSON COUNTY
AND THE CITY OF LOUISVILLE, GEORGIA
(A Component Unit of Jefferson County, Georgia)

Statements of Cash Flows, Continued
Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 2,133,000	$ 3,982,000
Cash and cash equivalents in noncurrent assets:		
Held by trustee for debt service	271,000	1,675,000
Restricted by bond covenant for capital acquisitions	256,000	252,000
Total cash and cash equivalents	$ 2,660,000	$ 5,909,000
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$(4,125,000)	$(3,038,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	1,133,000	856,000
Provision for bad debts	3,445,000	2,729,000
Changes in:		
Patient accounts receivable	(3,933,000)	(3,145,000)
Estimated third-party payor settlements	(784,000)	1,059,000
Health insurance stop-loss receivable	(13,000)	(69,000)
Other receivable	99,000	(87,000)
Supplies	(40,000)	14,000
Prepaid expenses	38,000	(43,000)
Prepaid recruitment expense	8,000	12,000
Accounts payable	(4,000)	323,000
Accrued expenses	112,000	165,000
Medicare advance payments	(907,000)	(376,000)
Net cash used by operating activities	$(4,971,000)	$(1,600,000)
Noncash capital and related financing activities:		
Capital assets acquired through leases	$ -	$ 345,000

See accompanying notes to financial statements.

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

Reporting entity. The Hospital Authority of Jefferson County and The City of Louisville, Georgia (Authority) is a public body corporate and politic organized under the Hospital Authorities Law of the State of Georgia. The members of the Authority are comprised of five (5) individuals representing Jefferson County and two (2) individuals representing the City of Louisville. The Authority is considered a component unit of Jefferson County (County).

The Authority owns and operates Jefferson Hospital (Hospital), a thirty-seven (37) bed acute care hospital, and rural health clinics located in Louisville, Wadley and Wrens, Georgia (Clinics). The accompanying financial statements include the operations of the Hospital and the Clinics.

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

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

Enterprise fund accounting. The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Risk management. The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; 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.

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

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

Continued

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

Noncurrent cash and cash equivalents. Noncurrent cash and cash equivalents include assets held by trustee for debt service and capital acquisitions as required by revenue bond indentures.

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. Right-to-use lease assets are recorded at the present value of payments expected to be made during the lease term adjusted for certain costs. All capital assets other than land are depreciated or amortized (in the case of leases) using the straight-line method of depreciation using these asset lives:

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

The Authority evaluates capital assets regularly for impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying value. The Authority has not recorded any impairment charges during 2022 or 2021.

Prepaid recruitment expense. The Authority provides enlistment loans to physicians. The Authority requires a commitment by the recipients for an employment period. The loans are forgiven contingent upon the completion of the required employment periods. Amounts forgiven and charged to expense were $8,000 and $12,000 during 2022 and 2021, respectively. The amount of loans deferred to expense in future years was $-0- and $8,000 at December 31, 2022 and 2021, respectively.

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

Costs incurred in connection with the issuance of loans are expensed in the period incurred.

Compensated absences. The Authority's employees earn paid time off at varying rates depending on years of service. Employees may accumulate paid time off up to a specified maximum. Employees who retire or resign in good standing will be eligible for payment of accumulated paid time off upon their resignation. The estimated amount of accumulated paid time off is reported as a current liability in 2022 and 2021.

Continued

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

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

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

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

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

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

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

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

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

Continued

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

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.

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

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

Charity care. The Authority provides care to patients who meet certain criteria under its Financial Assistance/Indigent and Charity Policy (FAP) without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Grants and contributions. The Authority receives grants and contributions from the federal government, the State of Georgia, Jefferson County and the cities of Louisville, Wrens and Wadley, as well as 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.

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

Continued

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

Recently adopted accounting pronouncement. On January 1, 2022, the Authority adopted Statement No. 87, *Leases* (GASB 87). GASB 87 establishes standards of accounting and financial reporting by lessees and lessors. GASB 87 requires a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, with certain exceptions, and requires a lessor to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The Authority retroactively implemented this statement effective January 1, 2021. The adoption of this statement resulted in an increase in lease obligations and related right-to-use assets of approximately $1,449,000 as of January 1, 2021.

Accounting pronouncement not yet adopted. In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 establishes accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITA). GASB 96 defines a SBITA and will require the recognition of a right-to-use subscription asset and corresponding subscription liability for certain SBITAs. GASB 96 is effective for years beginning after June 15, 2022. The Authority is currently evaluating the impact GASB 96 will have on its financial statements.

2. Net Patient Service Revenue

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

- *Medicare.* Inpatient and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain other reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been settled by the MAC through December 31, 2017. Revenue from the Medicare program accounted for approximately 23% and 22% of the Authority's net patient service revenue for 2022 and 2021, respectively.

Continued

2. Net Patient Service Revenue, Continued

- *Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2018. Revenue from the Medicaid program accounted for approximately 6% and 11% of the Authority's net patient service revenue for 2022 and 2021, respectively.

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

  The Authority participates in the Medicaid Upper Payment Limit (UPL) program. The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $102,000 and $207,000 in 2022 and 2021, respectively.

  During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the Authority. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately $45,000 during 2022.

  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 ICTF is funded through intergovernmental transfers from participating public hospitals and matching federal funds. The net amount of ICTF payments recognized in net patient service revenue was approximately $382,000 and $481,000 in 2022 and 2021, respectively.

Continued

2. Net Patient Service Revenue, Continued

- *Medicaid, continued.* Hospitals in Georgia are assessed a “provider payment” in the amount of 1.45% of their net patient service revenue. The provider payments are due on a quarterly basis to the State of Georgia. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in a corresponding increase in Medicaid payments for hospital services of approximately 11.88%. The Authority made provider payments to the State of Georgia of approximately $92,000 and $86,000 in 2022 and 2021, respectively. The payments are included in other expense in the accompanying statements of revenues, expenses and changes in net position.

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

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

Compliance with Medicare and Medicaid laws and regulations are subject to government review and interpretation. The Centers for Medicare and Medicaid Services (CMS) created the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program to perform audits of providers to identify overpayments and to ultimately decrease the payment of inappropriate Medicare and Medicaid claims. Noncompliance with Medicare and Medicaid laws and regulations can lead to fines, penalties and exclusion from the Medicare and Medicaid programs. No liabilities were accrued by the Authority at December 31, 2022 or 2021 related to claims subject to audit by the RAC or MIC. No RAC or MIC recoveries occurred during 2022 or 2021.

Continued

3. Uncompensated Services

The Authority was compensated for services at rates less than its established rates (gross patient charges). The following is a summary of the uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2022 and 2021:

	2022	2021
Gross patient charges	$ 35,193,000	$ 30,445,000
Uncompensated services:		
Medicare	2,542,000	2,591,000
Medicaid	1,245,000	540,000
Blue Cross	848,000	1,303,000
Commercial	12,145,000	10,293,000
Charity/indigent/uninsured discounts	496,000	797,000
Bad debts	3,445,000	2,729,000
Total uncompensated care	20,721,000	18,253,000
Net patient service revenue	$ 14,472,000	$ 12,192,000

4. Bank Deposits

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bank deposits at December 31, 2022 and 2021 are entirely insured or collateralized with securities held by the pledging financial institution's designated trustee in the Authority's name.

Continued

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at December 31, 2022 and 2021 consisted of these amounts:

	2022	2021
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 3,878,000	$ 2,669,000
Receivable from Medicare	327,000	371,000
Receivable from Medicaid	93,000	52,000
Total patient accounts receivable	4,298,000	3,092,000
Less allowance for uncollectible amounts	(2,303,000)	(1,585,000)
Patient accounts receivable, net	$ 1,995,000	$ 1,507,000
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 889,000	$ 777,000
Payable to suppliers	637,000	833,000
Patient refunds	536,000	344,000
Accrued interest	28,000	29,000
Total accounts payable and accrued expenses	$ 2,090,000	$ 1,983,000

6. Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2022 and 2021 was as follows:

	2022	2021
Medicare	16%	25%
Medicaid	5%	3%
Blue Cross	11%	12%
Other third-party payors	58%	52%
Patients	10%	8%
Total	100%	100%

Continued

7. Capital Assets

A schedule of changes in the Authority's capital assets for 2022 and 2021 follows:

	Restated Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
Land	$ 76,000	$ -	$ -	$ -	$ 76,000
Construction-in-progress	84,000	198,000	-	(181,000)	101,000
Land improvements	190,000	307,000	-	-	497,000
Buildings	11,260,000	237,000	-	181,000	11,678,000
Equipment	5,917,000	921,000	(323,000)	-	6,515,000
Leased buildings	83,000	-	-	-	83,000
Leased equipment	1,752,000	-	(40,000)	-	1,712,000
Totals at historical cost	19,362,000	1,663,000	(363,000)	-	20,662,000
Less accumulated depreciation for:					
Land improvements	(176,000)	(38,000)	-	-	(214,000)
Buildings	(4,486,000)	(319,000)	-	-	(4,805,000)
Equipment	(4,144,000)	(453,000)	132,000	-	(4,465,000)
Leased buildings	(8,000)	(8,000)	-	-	(16,000)
Leased equipment	(287,000)	(315,000)	40,000	-	(562,000)
Total accumulated depreciation	(9,101,000)	(1,133,000)	172,000	-	(10,062,000)
Capital assets, net	$ 10,261,000	$ 530,000	$(191,000)	$ -	$ 10,600,000

Continued

7. Capital Assets, Continued

	Restated Balance December 31, 2020	Additions	Retirements	Transfers	Restated Balance December 31, 2021
Land	$ 76,000	$ -	$ -	$ -	$ 76,000
Construction-in-progress	1,872,000	1,457,000	-	(3,245,000)	84,000
Land improvements	184,000	-	-	6,000	190,000
Buildings	7,359,000	827,000	-	3,074,000	11,260,000
Equipment	4,952,000	879,000	(79,000)	165,000	5,917,000
Leased buildings	83,000	-	-	-	83,000
Leased equipment	1,408,000	345,000	(1,000)	-	1,752,000
Totals at historical cost	15,934,000	3,508,000	(80,000)	-	19,362,000
Less accumulated depreciation for:					
Land improvements	(170,000)	(6,000)	-	-	(176,000)
Buildings	(4,276,000)	(210,000)	-	-	(4,486,000)
Equipment	(3,855,000)	(344,000)	55,000	-	(4,144,000)
Leased buildings	-	(8,000)	-	-	(8,000)
Leased equipment	-	(288,000)	1,000	-	(287,000)
Total accumulated depreciation	(8,301,000)	(856,000)	56,000	-	(9,101,000)
Capital assets, net	$ 7,633,000	$ 2,652,000	$(24,000)	$ -	$ 10,261,000

A contract of $678,000 exists for the replacement of a generator. At December 31, 2022, the remaining commitment on the contract was approximately $577,000.

Continued

8. Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2022 and 2021 follows:

	Restated Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Direct borrowings and placement:					
Series 2003 Certificates	$ 355,000	$ -	$(175,000)	$ 180,000	$ 180,000
First State Bank - CT	69,000	-	(8,000)	61,000	7,000
First State Bank - Bone Density Machine	27,000	-	(8,000)	19,000	10,000
USDA - CT	126,000	-	(19,000)	107,000	20,000
USDA - BHU	2,558,000	-	(61,000)	2,497,000	62,000
Queensborough - Ultrasound	58,000	-	(13,000)	45,000	13,000
Leases	1,542,000	-	(297,000)	1,245,000	273,000
Total long-term debt	$ 4,735,000	$ -	$(581,000)	$ 4,154,000	$ 565,000

	Restated Balance December 31, 2020	Additions	Reductions	Restated Balance December 31, 2021	Amounts Due Within One Year
Direct borrowings and placement:					
Series 2003 Certificates	$ 525,000	$ -	$(170,000)	$ 355,000	$ 175,000
First State Bank - CT	76,000	-	(7,000)	69,000	8,000
First State Bank - Bone Density Machine	36,000	-	(9,000)	27,000	9,000
USDA - Mammography	76,000	-	(76,000)	-	-
USDA - CT	144,000	-	(18,000)	126,000	19,000
USDA - BHU	-	2,558,000	-	2,558,000	61,000
BayCap - Lab Equipment	207,000	-	(207,000)	-	-
Queensborough - Ultrasound	69,000	-	(11,000)	58,000	13,000
Queensborough - BHU	978,000	1,565,000	(2,543,000)	-	-
Leases	1,496,000	345,000	(299,000)	1,542,000	295,000
Total long-term debt	$ 3,607,000	$ 4,468,000	$(3,340,000)	$ 4,735,000	$ 580,000

Continued

8. Long-Term Debt, Continued

Long-term debt. The terms and due dates of the Authority's long-term debt at December 31, 2022 and 2021, follows:

- *2003 Series Revenue Certificates* - fixed interest rate of 3.97%. The Bonds were issued in the principal amount of $2,500,000 and mature over a period of 20 years. Principal payments are due annually on July 1 of each year and interest is payable January 1 and July 1 of each year. The revenues of the Authority have been assigned to the payment of principal and interest on the Bonds. The proceeds of the Bonds were used to finance the renovation and expansion of the Authority's emergency services department, as well as refinance existing indebtedness. The 2003 Series Revenue Certificates contain a provision that in an event of default, any Certificate holder may proceed either for (1) appointment of a receiver for the Authority, (2) for performance of any covenant or agreement contained in the Certificate Resolution, or (3) for the enforcement of any proper legal or equitable remedy.

- *Note payable to First State Bank - CT* - interest at 6.50%, payable in monthly installments of $1,000 with a balloon payment for the remaining balance, due March 2025, collateralized by equipment. The note payable contains a provision that in the event of default, the lender may declare the debt due and payable immediately.

- *Note payable to First State Bank - Bond Density Machine* - interest at 5.75%, payable in monthly installments of $1,000, due November 2024, collateralized by equipment. The note payable contains a provision that in the event of default, the lender may declare the debt due and payable immediately.

- *Note payable to United States Department of Agriculture (USDA)* - Mammography - interest at 4.00%, payable in annual installments of $21,000, due August 2024, but paid off early, collateralized by equipment. The note payable contains a provision that in the event of default, the lender may (1) declare the debt due and payable immediately, (2) take possession of the collateral, or (3) exercise any sale or other rights.

- *Note payable to United States Department of Agriculture (USDA)* - CT - interest at 2.75%, payable in annual installments of $23,000, due October 2027, collateralized by equipment. The note payable contains a provision that in the event of default, the lender may (1) declare the debt due and payable immediately, (2) take possession of the collateral, or (3) exercise any sale or other rights.

- *Note payable to United States Department of Agriculture (USDA)* - *Behavioral Health Unit (BHU)* - interest at 2.25%, payable in annual installments of $118,000, due August 2051, collateralized by real estate. The note payable contains a provision that in the event of default, the lender may (1) declare the debt due and payable immediately, (2) take possession of the collateral, or (3) exercise any sale or other rights.

Continued

8. Long-Term Debt, Continued

Long-term debt, continued.

- *Note payable to BayCap* - interest at 12.66%, payable in monthly installments of $8,000, due May 2023, but paid off early, collateralized by equipment. The note payable contains a provision that in the event of default, the lender may (1) declare the debt due and payable immediately, or (2) require the Authority to return the collateral.

- *Note payable to Queensborough Bank - Ultrasound* - interest at 3.75%, payable in monthly installments of $1,000, due February 2026, collateralized by equipment. The note payable contains a provision that in the event of default, the lender may declare the debt due and payable immediately.

- *Line-of-credit at Queensborough Bank - Behavioral Health Unit (BHU)* - $2,792,000 line-of-credit, interest at 3.25%, payable in monthly interest only installments with principal and interest due at maturity, due November 2021, secured by real property. The note contains a provision that in the event of default, the lender may declare the debt due and payable immediately. On August 9, 2021, the Authority refinanced the loan with the USDA.

- *Equipment leases* - Leases of equipment for use in the pharmacy, MRI, laboratory, radiology, and administrative departments. While terms vary by lease, each lease provides for a monthly lease payment. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

- *Property lease* - Lease of property for use as an outpatient therapy clinic. Lease is for an initial two (2) year period, then if neither party gives notice of termination, will be automatically extended on a month-to-month basis. Lease may be terminated by either party upon sixty (60) days written notice. Rent is $800 monthly per month and landlord may increase the amount upon sixty days written notice. The lease does not 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.

- *Line-of-credit at First State Bank* - $101,000 line-of-credit for operations, interest at 5.50%, payable in monthly installments of interest only with principal and interest due at maturity, due March 2021, unsecured. No borrowings were made on the line-of-credit during 2021. The line-of-credit matured and was not renewed.

Continued

8. Long-Term Debt, Continued

Long-term debt, continued. Under the terms of the 2003 Series Revenue Certificates and the notes payable to USDA, the Authority is required to maintain certain deposits with a trustee. The Authority was in compliance with the requirements of the 2003 Series Revenue Certificates and USDA loans at December 31, 2022 and 2021.

The Certificates also place limits on the incurrence of additional borrowings and require that the Authority produce a debt service coverage ratio equal to or exceeding 110% during each year. The Authority produced the required debt service coverage ratio in both 2022 and 2021. In years the Authority does not produce the required ratio, the Authority must employ a management consultant to examine the rates, fees and charges of the Authority and the methods of operation to make recommendations to enable the Authority to produce the required ratio.

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

Year Ending	Long-Term Debt		Leases	
December 31	Principal	Interest	Principal	Interest
2023	$ 292,000	$ 74,000	$ 273,000	$ 30,000
2024	117,000	61,000	204,000	23,000
2025	145,000	54,000	152,000	17,000
2026	92,000	52,000	97,000	14,000
2027	90,000	51,000	89,000	12,000
2028-2032	362,000	229,000	385,000	29,000
2033-2037	405,000	186,000	45,000	1,000
2038-2042	453,000	138,000	-	-
2043-2047	506,000	85,000	-	-
2048-2051	447,000	25,000	-	-
Total	$ 2,909,000	$ 955,000	$ 1,245,000	$ 126,000

9. County Interim Support Contract Payments

Effective September 1, 2016, the Authority and the County entered into an Intergovernmental Contract (Interim Support Contract) whereby the County will pay the Authority interim support payments of $100,000 per month beginning September 1, 2016 and continuing until a subsequent intergovernmental contract is executed.

On July 24, 2017, the Authority and the County entered into an Intergovernmental Contract (Continuing Support Contract) whereby the County will increase the millage rate three (3) mills and pay the Authority the tax revenue generated by the additional millage. The Continuing Support Contract is effective July 1, 2017 and continues until at least June 30, 2019. The Continuing Support Contract has been extended to June 30, 2022. Under the terms of the Continuing Support Contract, the Authority agrees to repay the County $600,000 of the funds paid to the Authority under the Interim Support Contract at the rate of $10,000 per month, to be withheld from the payments the County makes to the Authority under the Continuing Support Contract. The amount due to the County under the Interim Support Contract was fully paid off during 2022.

10. Medicare Accelerated and Advance Payments

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) expanded the Medicare Accelerated and Advance Payment (MAAP) program to increase cash flow to healthcare providers impacted by the COVID-19 pandemic. In April 2020, the Authority received approximately $1,283,000 in MAAP payments. The MAAP payments must be repaid and recoupment begins one year after the date of receipt. Medicare will recoup 25% of Medicare payments owed to the Authority for eleven months. Medicare will then recoup 50% of Medicare payments owed to the Authority for the succeeding six months. Any outstanding balance must then be repaid. Medicare recouped approximately $907,000 and $376,000 in MAAP payments during 2022 and 2021, respectively.

11. Retirement Plan

The Authority provides retirement benefits for its employees through the Jefferson Hospital Retirement Plan (Plan). The Plan is a defined contribution plan. The Authority's Chief Executive Officer (CEO) administers the Plan. Plan provisions and contribution requirements are established and may be amended by the CEO. All employees are immediately eligible to make elective deferrals under the Plan. Employees are eligible for matching employer contributions after 6 months of employment and attainment of age 21. Employees may make elective deferrals to the Plan up to 6% of compensation (no defined minimum amount). Employee contributions to the Plan were approximately $307,000 and $240,000 during 2022 and 2021, respectively. The Authority may, at its sole discretion, make matching employer contributions to the Plan. The Authority made contributions to the Plan of $91,000 and $50,000 during 2022 and 2021, respectively. Employees are vested in their contributions immediately and vested in the Authority's matching contributions after two years of service. Matching forfeitures may be used to reduce future Authority contributions or used to pay Plan administration expenses.

Continued

12. Contingencies

- *Compliance plan.* The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national 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. 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.

- *Litigation.* The Authority is subject to litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that such matters would not have a material adverse effect on the Authority's financial position or results from operations.

- *Insurance arrangements.* The Authority has claims-made insurance coverage for professional liability and occurrence insurance coverage for general liability. The insurance policies have limits of $1,000,000 per claim/occurrence and $3,000,000 annual aggregate. The Authority is self-insured to cover the deductible portion of its general and professional insurance policy. The Authority's deductible is $25,000 for individual claims and $75,000 annual aggregate. The deductible amount per claim applies separately to each coverage. One aggregate amount applies to the policies.

  The Authority has a self-insured health plan for its employees. The Authority has purchased stop loss insurance to supplement the health plan, which will reimburse the Authority for individual claims in excess of $50,000 annually. The Authority incurred expenses related to this plan of approximately $855,000 and $902,000 during 2022 and 2021, respectively. Estimated accruals for claims incurred but not reported have been recorded in accrued expenses on the balance sheet. Estimated accruals were approximately $64,000 and $71,000 at December 31, 2022 and 2021, respectively. Additionally, certain claims incurred during the year met the requirements to be reimbursed through the stop-loss policy. Reimbursement due to the Authority under the policy was $82,000 and $69,000 at December 31, 2022 and 2021, respectively.

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

Continued

12. Contingencies, Continued

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

13. County and City Contributions

The Authority has a contract with Jefferson County, the City of Louisville, the City of Wrens, and the City of Wadley (collectively, the County and Cities) whereby the County and Cities will provide annual contributions to the Authority to make payments on the 2003 Bonds. Contributions provided during 2022 and 2021 were as follows:

	2022	2021
Jefferson County	$ 150,000	$ 150,000
City of Louisville	30,000	30,000
City of Wrens	16,000	16,000
City of Wadley	5,000	5,000
Total	$ 201,000	$ 201,000

In July 2013, the Authority and the County entered into an Intergovernmental Contract whereby the County would pay the Authority $200,000 per year for indigent care. The Intergovernmental Contract was amended in February 2014, October 2018, and October 2020, to extend the period the County would make payments. Payments began February 15, 2014 and end December 31, 2025. Payments provided during 2022 and 2021 were $200,000 in each year.

As discussed in Note 9, during 2016 the Authority and the County entered into the Interim Support Contract. The Authority received $1,000,000 from the County under the Interim Support Contract. The Authority will repay the County $600,000 of the funds received under the Interim Support Contact at the rate of $10,000 per month, beginning July 1, 2017. The Authority recognized revenue of $400,000 in 2017 related to the Interim Support Contract.

Continued

13. County and City Contributions, Continued

Also as discussed in Note 9, during 2017 the Authority and the County entered into the Continuing Support Contract. The County will increase the millage rate three (3) mills and pay the Authority the tax revenue generated by the additional millage. The Continuing Support Contract is effective July 1, 2017 and has been extended to June 30, 2022. The Continuing Support Contract was renewed effective July 1, 2022 and will pay the Authority $1,351,000 over twelve (12) monthly payments. Payments received under the Continuing Support Contract were approximately $1,351,000 and $1,333,000 during 2022 and 2021, respectively.

14. Economic Dependency

The Authority has experienced recurring operating losses and negative cash flows from operations. As such, the Authority has become dependent on County contributions. As discussed in Note 13, the County makes contributions to the Authority for:

- Bond payments ($150,000 annually through July 2023)
- Indigent care ($200,000 annually through December 2025)
- Continuing support (variable annual amount ($1,351,000 in 2022), currently approved through June 2023, must be renewed annually by county)
- Sales tax funds for capital purchases (total $250,000 for the period 2016-2022, of which $172,000 has been received through 2022)

It is uncertain whether County contributions will continue to be provided in future years after the indicated periods above. Alternative sources of financing would be necessary to maintain operations at current levels should the County discontinue the contributions.

15. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2024. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for 2022 and 2021. Contributions received under the program approximated $1,259,000 and $591,000 during 2022 and 2021, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

Continued

16. CARES and ARP Act Funding

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

- $30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed $30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received $173,000 in funding from this distribution.

- $20 Billion General Distribution (2nd round) - On April 24, 2020, HHS distributed $20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submissions. The Authority received $46,000 in funding from this distribution.

- $10 Billion Rural Distribution - On May 6, 2020, HHS distributed $10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Authority received $3,359,000 in funding from this distribution.

- $225 Million for COVID-19 Testing - On May 20, 2020, HHS distributed $225 million to over 4,500 rural health clinics (RHCs) based on a fixed payment of $49,000 per RHC. The Authority received $148,000 in funding from this distribution.

- $4.9 Million Small Rural Hospital Improvement Program (SHIP) Grant - On April 22, 2020, HHS appropriated approximately $4.9 million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to 58 rural hospitals in Georgia for the purpose of preventing, preparing for, and responding to COVID-19. The Authority received approximately $84,000 in funding from this distribution.

- $1.239 Million CARES Provider Relief Fund Grant - In August 2020, HHS appropriated approximately $1.239 million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to rural health clinics (RHCs) in Georgia for the purpose of supporting healthcare-related expenses or lost revenue attributed to COVID-19. Payments were distributed based on a fixed payment of $18,000 per RHC. The Authority received approximately $54,000 in funding from this distribution.

Continued

16. CARES and ARP Act Funding, Continued

- $4.9 Million Georgia Hospital Association Research and Education Foundation, Inc. (GHAREF) Grant - The Assistant Secretary of Preparedness and Response (ASPR) of HHS allocated approximately $350 million to state hospital associations and other entities to disburse to health care providers on the front lines of the COVID-19 pandemic. GHAREF received approximately $4.9 million to disburse to hospitals in Georgia. The Authority received approximately $25,000 in funding from this distribution.

- $475 Million Rural Health Clinic COVID-19 Testing and Mitigation Program - On June 6, 2021, HHS distributed $475 million to 4,752 RHCs based on a fixed payment of $100,000 per RHC. The funding is to be used for maintaining and increasing COVID-19 testing efforts, expanding access to testing in rural communities, and expanding the range of mitigation activities in local communities. The Authority received $300,000 in funding from this distribution.

- $398 Million Small Rural Hospital Improvement Program COVID-19 Testing and Mitigation Program - On July 12, 2021, HHS appropriated $398 Million to state governments to distribute to rural hospitals. The State of Georgia Department of Community Health, State Office of Rural Health received $13,436,000 to distribute to 52 rural hospitals. The Authority received $258,000 in funding from this distribution.

- $8.5 Billion American Rescue Plan Rural Payments - In November 2021, HHS distributed $8.5 billion to 43,842 rural healthcare providers. The Authority received $693,000 in funding from this distribution.

- $17 Billion Provider Relief Fund Phase 4 General Distribution (Batch 1) - In December 2021, HHS distributed batch 1 of phase 4 of the Provider Relief Funds. The Authority received $290,000 in funding from this distribution.

- $100 Million Rural Health Clinic Vaccine Confidence Program - HHS distributed approximately $100 million to 1,980 RHCs based on a fixed payment of $49,500 per RHC. The funding is to be used to support vaccine outreach in rural communities. The Authority received approximately $149,000 in funding from this program.

- $170 Million American Rescue Plan State Fiscal Recovery Fund COVID-19 Prevention and Mitigation Hospital Grant Program - HHS distributed $150 billion to state, local, and tribal governments through the State Fiscal Recovery Fund (SFRF). The State of Georgia received $4.8 billion in SFRF funds. The State of Georgia allocated $170 million to hospitals for capital improvements to prevent or mitigate COVID-19. The Authority was awarded $950,000 through this program.

Continued

16. CARES and ARP Act Funding, Continued

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020. The sequestration suspension has been extended through March 31, 2022. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.

- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.

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

CARES 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.

17. Rural Hospital Stabilization Grants

The Georgia Department of Community Health (DCH) issues grants to provide funding to rural community hospitals for the development of community specific projects based on the identified “Hub and Spoke” model adopted by the Georgia Rural Hospital Stabilization Committee and to provide assistance for financial stabilization and sustainability. The grants are issued in phases and the Authority must incur the expenses before being reimbursed by DCH. The Authority has been awarded the following grants.

	Phase 5	Phase 6	Phase 7
Grant award	$ 300,000	$ 881,000	$ 900,000
Grant expenditures:			
2020	(257,000)	-	-
2021	(43,000)	(681,000)	-
2022	-	(200,000)	(582,000)
Remaining grant funds available at December 31, 2022	$ -	$ -	$ 318,000

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*

Hospital Authority Members
The Hospital Authority of Jefferson County and
The City of Louisville, Georgia
Louisville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Hospital Authority of Jefferson County and The City of Louisville, Georgia (Authority), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Continued

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (2022-001).

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. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency (2022-002).

Report on Compliance and Other Matters

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

The Hospital Authority of Jefferson County and The City of Louisville, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Atlanta, Georgia
June 29, 2023

Schedule of Findings
December 31, 2022

Material Weakness

2022-001 Implementation of GASB 87, *Leases*

Condition: New accounting standard GASB 87, *Leases*, was not implemented on its effective date of January 1, 2022. The recording of lease assets and lease liabilities was done after year-end through audit adjustments.

Criteria: The GASB issues new accounting standards updates periodically. Management should implement any new standard on its effective date.

Cause: A review of lease contracts and the implementation of the new standard did not occur until after year-end.

Effect: Interim (monthly/quarterly) financial statements did not reflect lease assets and lease liabilities as required by the new accounting standard.

Recommendation: Management should track the implementation date of all new accounting standards to ensure the new standards are implemented timely.

Views of Responsible Officials and Planned Corrective Actions: In the future, we will track the implementation date of all new accounting standards.

Continued

Significant Deficiency

2022-002 Accounts Payable

Condition:	Accrual basis of accounting requires transactions to be recorded in the period incurred, regardless of when cash is paid. The Authority had certain invoices that were incurred in 2022 but were not recorded.
Criteria:	Internal controls should be in place to ensure transactions are recorded in the proper period.
Cause:	A review of outstanding invoices at year-end was not performed.
Effect:	Accounts payable and expenses were understated.
Recommendation:	The Authority should review its procedures to ensure all transactions are recorded in the proper period.
Views of Responsible Officials and Planned Corrective Actions:	Policies will be implemented to ensure these items will be properly accrued and reported in the correct period in the future.