HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

FINANCIAL STATEMENTS

for the years ended September 30, 2024 and 2023

Draffin Tucker

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for the years ended September 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hospital Authority of Monroe County
Forsyth, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Authority of Monroe County, a component unit of Monroe County, Georgia, which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital Authority of Monroe County as of September 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

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.

Continued

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Continued

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 May 22, 2025, 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
May 22, 2025

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

BALANCE SHEETS
September 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,292,000	$ 3,691,000
Patient accounts receivable, net of estimated uncollectibles of $2,039,000 and $2,038,000 in 2024 and 2023, respectively	1,969,000	1,696,000
Lease receivable, current portion	43,000	35,000
Supplies, at lower of cost (first-in, first-out) or market	106,000	103,000
Other current assets	793,000	415,000
Total current assets	6,203,000	5,940,000
Noncurrent cash and investments:		
Internally designated for capital improvements	10,000	10,000
Internally designated for management agreement	1,000	1,000
Externally restricted for capital under debt agreement	10,000	198,000
Total noncurrent cash and investments	21,000	209,000
Lease receivable, net of current portion	98,000	128,000
Capital assets:		
Nondepreciable	1,505,000	469,000
Intangible right-to-use lease assets, net of accumulated amortization	377,000	176,000
Intangible right-to-use subscription assets, net of accumulated amortization	1,075,000	1,201,000
Depreciable capital assets, net of accumulated depreciation	5,898,000	6,090,000
Total capital assets, net	8,855,000	7,936,000
Total assets	$ 15,177,000	$ 14,213,000

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

BALANCE SHEETS, Continued
September 30, 2024 and 2023

	2024	2023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Short-term obligations	$ 39,000	$ 35,000
Current maturities of long-term debt	325,000	315,000
Lease liabilities, current portion	105,000	42,000
Subscription liabilities, current portion	248,000	218,000
Accounts payable	920,000	776,000
Accrued expenses	512,000	410,000
Unearned revenue	-	236,000
Estimated third-party payor settlements	450,000	556,000
Total current liabilities	2,599,000	2,588,000
Long-term liabilities:		
Long-term debt, net of current portion	7,931,000	8,264,000
Lease liabilities, net of current portion	282,000	142,000
Subscription liabilities, net of current portion	827,000	975,000
Total long-term liabilities	9,040,000	9,381,000
Total liabilities	11,639,000	11,969,000
Deferred inflows of resources:		
Deferred inflows on lessor leases	138,000	161,000
Total liabilities and deferred inflows of resources	11,777,000	12,130,000
Net position:		
Net investment in capital assets	3,647,000	2,803,000
Unrestricted	(247,000)	(720,000)
Total net position	3,400,000	2,083,000
Total liabilities, deferred inflows of resources, and net position	$ 15,177,000	$ 14,213,000

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended September 30, 2024 and 2023

	2024	2023
Operating revenues:		
Net patient service revenue (net of provision for bad debts of $2,780,000 in 2024 and $2,972,000 in 2023)	$ 16,505,000	$ 13,087,000
Other revenues	148,000	265,000
Total operating revenues	16,653,000	13,352,000
Operating expenses:		
Salaries and wages	5,863,000	4,386,000
Employee benefits	886,000	714,000
Supplies and drugs	1,474,000	1,206,000
Contract and purchased services	4,101,000	4,959,000
Physician and professional fees	1,386,000	929,000
Depreciation and amortization	1,051,000	966,000
Leases and rentals	191,000	57,000
Other	1,893,000	1,723,000
Total operating expenses	16,845,000	14,940,000
Operating loss	(192,000)	(1,588,000)
Nonoperating revenues (expenses):		
Investment income	160,000	8,000
Gain on disposal of asset	20,000	-
Interest expense	(445,000)	(398,000)
Lease and related interest income	63,000	57,000
Noncapital grants and contributions	985,000	1,581,000
Grant stimulus funding	318,000	-
Total nonoperating revenues	1,101,000	1,248,000
Excess revenues (expenses)	909,000	(340,000)
Capital contributions	408,000	388,000
Increase in net position	1,317,000	48,000
Net position, beginning of year	2,083,000	2,035,000
Net position, end of year	$ 3,400,000	$ 2,083,000

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 15,726,000	$ 14,343,000
Payments to suppliers and contractors	(8,910,000)	(10,093,000)
Payments to employees	(6,647,000)	(5,030,000)
Other revenues	148,000	265,000
Net cash provided (used) by operating activities	317,000	(515,000)
Cash flows from noncapital financing activities:		
Noncapital grants and contributions	985,000	1,581,000
Grant stimulus funding	82,000	-
Proceeds from short-term obligations	198,000	106,000
Principal paid on long-term liabilities	(315,000)	(310,000)
Principal paid on short-term obligations	(194,000)	(84,000)
Interest paid on long-term liabilities	(175,000)	(173,000)
Interest paid on short-term obligations	(76,000)	(34,000)
Net cash provided by noncapital financing activities	505,000	1,086,000
Cash flows from capital and related financing activities:		
Principal paid on long-term liabilities	(318,000)	(244,000)
Interest paid on long-term liabilities	(205,000)	(199,000)
Lease and related interest income	62,000	57,000
Purchase of capital assets	(1,536,000)	(513,000)
Proceeds from the sale of equipment	20,000	-
Capital contributions	408,000	388,000
Net cash used by capital and related financing activities	(1,569,000)	(511,000)
Cash flows from investing activities:		
Investment income	160,000	8,000
Net cash provided by investing activities	160,000	8,000
Net increase (decrease) in cash and cash equivalents	(587,000)	68,000
Cash and equivalents, beginning of year	3,890,000	3,822,000
Cash and equivalents, end of year	$ 3,303,000	$ 3,890,000

Continued

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
Years Ended September 30, 2024 and 2023

	2024	2023
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 3,292,000	$ 3,691,000
Noncurrent cash and investments:		
Internally designated for management agreement	1,000	1,000
Externally restricted for capital under debt agreement	10,000	198,000
Total cash and cash equivalents	$ 3,303,000	$ 3,890,000
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	$ (192,000)	$ (1,588,000)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,051,000	966,000
Provision for bad debts	2,780,000	2,972,000
Changes in:		
Patient accounts receivable	(3,053,000)	(2,959,000)
Estimated third-party payor settlements	(106,000)	1,243,000
Supplies	(3,000)	(11,000)
Other current assets	(378,000)	(12,000)
Accounts payable	116,000	(1,196,000)
Accrued expenses	102,000	70,000
Net cash provided (used) by operating activities	$ 317,000	$ (515,000)

Supplemental disclosures of cash flow information:

- Purchases of capital assets in accounts payable as of September 30, 2024 and 2023 were $39,000 and $12,000, respectively.

- The Authority entered into lease and subscription obligations of $420,000 and $146,000 during 2024 and 2023, respectively.

See accompanying notes to financial statements.

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

Reporting Entity

The Hospital Authority of Monroe County (Authority), created pursuant to the Hospital Authority laws of the State of Georgia, operates Monroe County Hospital, an acute care critical access hospital. The Authority was created by the Board of Commissioners of Monroe County, Georgia (Commissioners) to operate, control, and manage all matters concerning the county's health care functions. The Commissioners appoint the Board of Trustees of the Authority and the Commissioners continually provide financial support to the Authority. For these reasons, the Authority is considered to be a component unit of Monroe County, Georgia.

Use of Estimates

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

Enterprise Fund Accounting

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

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

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 dental 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. Effective July 1, 2009, the Authority became fully-insured for employee health benefits as described in Note 11. See Note 10 for additional information related to the Authority's general and professional coverage.

Continued

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include certain investments in highly liquid debt instruments with an original maturity of three months or less. Noncurrent investments include certain investments in debt instruments, primarily certificates of deposit, with an original maturity exceeding three months, and money market funds. Investments are carried at fair value except for the certificates of deposit, which are carried at amortized cost which approximates fair value. Interest and gains and losses, both realized and unrealized, on investments are included in nonoperating revenue when earned.

Allowance for Doubtful Accounts

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

Capital Assets

Capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Amortization of lease and subscription assets is included in depreciation and amortization in the accompanying financial statements. The provision for depreciation and amortization is computed on the straight-line method using the estimated useful lives of the respective assets as follows:

Land improvements	15 to 20 Years
Buildings and improvements	20 to 40 Years
Equipment	3 to 7 Years
Right-to-use lease assets	1 to 13 Years
Right-to-use subscription assets	1 to 10 Years

Leases

Lessor: The Authority is a lessor for noncancellable leases of office space. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred

Continued

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

Leases, Continued

inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

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

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

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

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

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

Continued

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

Leases, Continued

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

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

Subscription-Based Information Technology Arrangements

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

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

Continued

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

Subscription-Based Information Technology Arrangements, Continued

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

- Preliminary Project Stage - Outlays are expensed as incurred.
- Initial Implementation Stage - Outlays are generally capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage - Outlays are expensed as incurred unless specific capitalization criteria is met.

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

Deferred Outflows/Inflows

GASB provides that certain amounts reported on the balance sheet of a governmental entity be reported separately from assets and liabilities and be reported as deferred outflows and deferred inflows of resources. As of September 30, 2024 and 2023, deferred inflows of resources related to lessor leases are amortized to lease income over the lease terms.

Net Position

Net position of the Authority is classified into 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* is 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. *Unrestricted net position* is the remaining net amount of assets, liabilities, and deferred inflows of resources that does not meet the definition of *net investment in capital assets* or the *restricted net position.*

Designated funds remain under the control of the Board of Trustees who may at its discretion later use the funds for other purposes.

Continued

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

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Grants and Contributions

From time to time, the Authority receives grants from Monroe County and 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. See Note 20 for additional information for grant stimulus funding.

Restricted Resources

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

Continued

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

Income Taxes

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

Compensated Absences

The Authority's employees earn paid days off at varying rates depending on years of service. Paid days off accumulate up to a specified maximum. Employees are paid accumulated paid days off at resignation if adequate notice is given.

Costs of Borrowing

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grant stimulus advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 20 for additional information.

Advance Payments

Advance payments are primarily funds received under the Medicare Accelerated and Advance Payment Program. See Note 20 for additional information.

Financing Costs

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

Impairment of Long-lived Assets

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

Continued

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

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2: Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

- Level 3: Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Prior Year Reclassifications

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

Accounting Pronouncement Not Yet Adopted

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

Continued

2. Net Patient Service Revenue

The Authority has agreements with third-party payors that provide 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. 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 RACs have authority to pursue improper payments with a three-year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

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

- Medicare

  Effective September 12, 2001, the Authority was granted Critical Access Hospital (CAH) designation by the Medicare Program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care, swingbed and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

  The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through September 30, 2022.

  Revenue from the Medicare program accounted for approximately 65% of the Authority's net patient service revenue for the year ended September 30, 2024 and approximately 64% of the Authority's net patient service revenue for the year ended September 30, 2023. Laws and regulations governing the Medicare program 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.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid

  Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. Approximately 13% and 16% of the Authority's net patient service revenue for the years ended September 30, 2024 and 2023, respectively, was derived from Medicaid.

  The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2021.

  The Authority has also entered into 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 Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $98,000 and $76,000 for the years ended September 30, 2024 and 2023, respectively.

  The Authority participates in the Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The 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 $1,267,000 and $1,158,000 for the years ended September 30, 2024 and 2023, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Other arrangements

  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.

  The Authority was underpaid by United Healthcare and is in the process of recouping approximately $400,000 and is recorded in other current assets on the balance sheet.

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services were approximately $19,847,000 and $19,512,000 for 2024 and 2023, respectively.

Uncompensated care includes charity and indigent care services of approximately $3,911,000 and $2,691,000 in 2024 and 2023, respectively. The cost of charity and indigent care services provided was approximately $1,860,000 and $1,266,000 during 2024 and 2023, respectively, computed by applying a total cost factor to the charges foregone.

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

	2024	2023
Gross patient charges	$ 36,352,000	$ 32,599,000
Uncompensated services:		
Charity and indigent care	3,911,000	2,691,000
Medicare	5,707,000	7,026,000
Medicaid	2,047,000	2,267,000
Other allowances	5,402,000	4,556,000
Bad debts	2,780,000	2,972,000
Total uncompensated care	19,847,000	19,512,000
Net patient service revenue, net of provision for bad debts	$ 16,505,000	$ 13,087,000

Continued

4. Cash and Investments

Cash and investments as of September 30, 2024 and 2023 are classified in the accompanying financial statements as follows:

	2024	2023
Balance sheets:		
Cash and cash equivalents	$ 3,292,000	$ 3,691,000
Noncurrent cash and investments:		
Internally designated for capital improvements	10,000	10,000
Internally designated for management agreement	1,000	1,000
Externally restricted for capital under debt agreement	10,000	198,000
Total cash and investments	$ 3,313,000	$ 3,900,000
Cash and investments consist of the following:		
Deposits with financial institutions	$ 3,293,000	$ 3,692,000
Certificates of deposit	10,000	10,000
Money market funds	10,000	198,000
Total cash and investments	$ 3,313,000	$ 3,900,000

- *Certificates of deposit.* The terms of the certificates of deposit are twelve months.

- *Custodial credit risk - deposits.* Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to them. The Authority's bank deposits at September 30, 2024 and 2023 are entirely insured or held by financial institutions that participate in the Georgia Secure Deposit Program (SDP). The SDP is a multibank contingent liability pledging pool to protect public deposits. The program is administered by Georgia Banker's Association Services, Inc. Under the program, a combination of the liquidation of pledge collateral and guarantee from all other banks participating in the contingent liability pool will cover any loss exceeding Federal Deposit Insurance Corporation (FDIC) insurance limits.

Continued

4. Cash and Investments, Continued

- *Custodial credit risk - investments.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, 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. All investments are registered in the name of the Authority; therefore, there is no custodial credit risk for investments at September 30, 2024 or 2023.

- *Credit risk - investments.* Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The Authority did not have an investment policy in effect for September 30, 2024 or 2023.

The money market funds are open end funds that invest exclusively in short-term U.S. government securities.

As of September 30, 2024 and 2023, the Authority's investments in money market funds had the following rating:

	Rating as of September 30, 2024	
	Amount	Aaa
Money market funds	$ 10,000	$ 10,000

	Rating as of September 30, 2023	
	Amount	Aaa
Money market funds	$ 198,000	$ 198,000

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 September 30, 2024 and 2023 consisted of these amounts:

	2024	2023
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 4,222,000	$ 4,027,000
Receivable from Medicare	1,597,000	1,532,000
Receivable from Medicaid	564,000	487,000
Total patient accounts receivable	6,383,000	6,046,000
Less: allowance for uncollectible amounts and contractual adjustments	4,414,000	4,350,000
Patient accounts receivable, net	$ 1,969,000	$ 1,696,000
Accounts payable and accrued expenses:		
Payable to suppliers	$ 920,000	$ 776,000
Payable to employees (including payroll taxes)	512,000	410,000
Total accounts payable and accrued expenses	$ 1,432,000	$ 1,186,000

Continued

6. Capital Assets

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

	Balance September 30, 2023	Additions	Disposals	Transfers	Balance September 30, 2024
Land	$ 351,000	$ -	$ -	$ -	$ 351,000
Construction in progress	118,000	1,541,000	-	(505,000)	1,154,000
Total capital assets not being depreciated and amortizated	469,000	1,541,000	-	(505,000)	1,505,000
Land improvements	120,000	-	-	37,000	157,000
Buildings and improvements	11,191,000	-	-	332,000	11,523,000
Equipment	7,327,000	23,000	(111,000)	136,000	7,375,000
Intangible right-to-use subscription assets	1,626,000	139,000	(54,000)	-	1,711,000
Intangible right-to-use lease assets	296,000	329,000	(112,000)	-	513,000
Total capital assets being depreciated and amortizated	20,560,000	491,000	(277,000)	505,000	21,279,000
Less: accumulated depreciation and amorrtization for:					
Land improvements	(92,000)	(6,000)	-	-	(98,000)
Buildings and improvements	(6,398,000)	(402,000)	-	-	(6,800,000)
Equipment	(6,058,000)	(312,000)	111,000	-	(6,259,000)
Intangible right-to-use subscription assets	(425,000)	(265,000)	54,000	-	(636,000)
Intangible right-to-use lease assets	(120,000)	(66,000)	50,000	-	(136,000)
Total accumulated depreciation and amortization	(13,093,000)	(1,051,000)	215,000	-	(13,929,000)
Capital assets being deperciated and amortized, net	7,467,000	(560,000)	(62,000)	505,000	7,350,000
Total capital assets, net	$ 7,936,000	$ 981,000	$ (62,000)	$ -	$ 8,855,000

Continued

6. Capital Assets, Continued

	Balance September 30, 2022	Additions	Disposals	Transfers	Balance September 30, 2023
Land	$ 351,000	$ -	$ -	$ -	$ 351,000
Construction in progress	-	479,000	-	(361,000)	118,000
Total capital assets not being depreciated and amortizated	351,000	479,000	-	(361,000)	469,000
Land improvements	120,000	-	-	-	120,000
Buildings and improvements	11,007,000	7,000	(21,000)	198,000	11,191,000
Equipment	7,164,000	-	-	163,000	7,327,000
Intangible right-to-use subscription assets	1,453,000	173,000	-	-	1,626,000
Intangible right-to-use lease assets	296,000	-	-	-	296,000
Total capital assets being depreciated and amortizated	20,040,000	180,000	(21,000)	361,000	20,560,000
Less: accumulated depreciation and amorrtization for:					
Land improvements	(87,000)	(5,000)	-	-	(92,000)
Buildings and improvements	(6,027,000)	(392,000)	21,000	-	(6,398,000)
Equipment	(5,753,000)	(305,000)	-	-	(6,058,000)
Intangible right-to-use subscription assets	(203,000)	(222,000)	-	-	(425,000)
Intangible right-to-use lease assets	(78,000)	(42,000)	-	-	(120,000)
Total accumulated depreciation and amortization	(12,148,000)	(966,000)	21,000	-	(13,093,000)
Capital assets being deperciated and amortized, net	7,892,000	(786,000)	-	361,000	7,467,000
Total capital assets, net	$ 8,243,000	$ (307,000)	$ -	$ -	$ 7,936,000

Contracts exist for various capital and SBITA projects at year end with a total commitment of $1,694,200. As of September 30, 2024, the remaining commitment on these contracts is $1,540,887.

Continued

7. Related Party Transactions

Because of the existence of common trustees and other factors, the Authority and Monroe County Hospital Development Foundation (Foundation) are related parties.

The Foundation is authorized by the Authority to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of its distributions. The Authority received no contributions from the Foundation for the years ended September 30, 2024 and 2023.

8. Short-Term Obligations

A schedule of changes in the Authority's short-term obligations at September 30, 2024 and 2023 follows:

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024
Direct borrowing:				
Short-term note (a)	$ 35,000	$ 198,000	$ (194,000)	$ 39,000
Total	$ 35,000	$ 198,000	$ (194,000)	$ 39,000

	Balance September 30, 2022	Additions	Reductions	Balance September 30, 2023
Direct borrowing:				
Short-term note (a)	$ 13,000	$ 106,000	$ (84,000)	$ 35,000
Total	$ 13,000	$ 106,000	$ (84,000)	$ 35,000

The Authority has a short-term note for general operating purposes. The terms of the Authority's short-term obligations at September 30, 2024 and 2023 follows:

- Short-term note - 9.95% note payable, principal and interest payable monthly. Matures on April 1, 2025.

Continued

9. Long-Term Liabilities

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

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One Year
Revenue Bonds:					
Series 2017 Certificates	$ 8,425,000	$ -	$ (315,000)	$ 8,110,000	$ 325,000
Series 2017 Premium	162,000	-	(8,000)	154,000	-
Series 2017 Discount	(8,000)	-	-	(8,000)	-
Subscription Liabilities	1,194,000	108,000	(227,000)	1,075,000	248,000
Lease Liabilities	183,000	323,000	(119,000)	387,000	105,000
Total	$ 9,956,000	$ 431,000	$ (669,000)	$ 9,718,000	$ 678,000

	Balance September 30, 2022	Additions	Reductions	Balance September 30, 2023	Amounts Due Within One Year
Revenue Bonds:					
Series 2017 Certificates	$ 8,735,000	$ -	$ (310,000)	$ 8,425,000	$ 315,000
Series 2017 Premium	171,000	-	(9,000)	162,000	-
Series 2017 Discount	(8,000)	-	-	(8,000)	-
Subscription Liabilities	1,250,000	146,000	(202,000)	1,194,000	218,000
Lease Liabilities	224,000	-	(41,000)	183,000	42,000
Total	$ 10,372,000	$ 146,000	$ (562,000)	$ 9,956,000	$ 575,000

Continued

9. Long-Term Liabilities, Continued

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

- In August 2017, the Authority issued Revenue Anticipation Certificates, Series 2017A and Taxable Revenue Anticipation Certificates, Series 2017B. These funds were used to pay off existing obligations, pay the fees and expense incurred in connection with the issuance of the Series 2017 Certificates, including a premium for a certificate insurance policy, and will be used for future capital improvements and capital purchases. The interest rate on the Series 2017 Certificates ranges from 2.00% to 4.00%.

  The Series 2017 Certificates are special obligations of the Authority, the payment of the principal of and interest on which is secured by a first and prior pledge of and lien on the gross revenues derived by the Authority from the ownership of the Monroe County Hospital (Hospital). In addition, the Authority will enter into an intergovernmental contract with Monroe County, Georgia (County), dated as of the date of the issuance of the Series 2017 Certificates, wherein the County is obligated to make payments to the Authority sufficient to pay the principal of and interest on the Series 2017 Certificates as they become due and payable, to the extent the revenues of the Hospital pledged to such payment are insufficient for such purposes. The County is obligated to levy an annual ad valorem tax on all taxable property located within the County within the seven mil limitation prescribed by the Hospital Authorities Law to fulfill the County's obligation under the contract.

- Lease liabilities include equipment leases for use in the laboratory, respiratory therapy, acute care, and administrative departments. While terms vary by lease, each lease provides for monthly lease payments. The lease liabilities have imputed interest rates ranging from 3.00% to 8.50%. Secured by leased equipment.

- The Authority has subscription-based information technology arrangements, which meet the capitalization criteria specified by generally accepted accounting principles. The subscription liabilities have imputed interest rates ranging from 3.25% to 8.50%, payable in annual installments for certain subscriptions ranging from approximately $1,000 to $21,000, and payable in monthly installments for certain subscriptions ranging from $1,000 to $12,000. Secured by subscription assets.

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

	2024	2023
Right to use subscription asset amortization	$ 265,000	$ 222,000
Subscription liability interest expense	48,000	42,000
Total subscription cost	$ 313,000	$ 264,000

Continued

9. Long-Term Liabilities, Continued

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

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

Year Ending September 30:	Revenue Bonds		Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 325,000	$ 311,000	$ 105,000	$ 4,000	$ 248,000	$ 43,000
2026	335,000	300,000	110,000	3,000	226,000	31,000
2027	350,000	289,000	80,000	1,000	226,000	21,000
2028	360,000	278,000	40,000	1,000	215,000	12,000
2029-2033	2,000,000	1,183,000	30,000	2,000	133,000	5,000
2034-2038	2,425,000	762,000	22,000	-	27,000	4,000
2039-2042	2,315,000	236,000	-	-	-	-
	$ 8,110,000	$ 3,359,000	$ 387,000	$ 11,000	$ 1,075,000	$ 116,000

10. Malpractice Insurance

The Authority is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. The per occurrence liability limit related to this policy in 2024 and 2023 is $1,000,000. The specific loss, other coverage aggregate, and health care professional liability aggregate limits are $3,000,000. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority.

Various claims and assertions have been made against the Authority in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past.

Continued

11. Contingencies

Litigation

The Authority is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See malpractice insurance disclosures in Note 10.

Compliance Plan

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

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of 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.

Insurance Arrangements

Effective July 1, 2009, the Authority changed from a self-insured plan to a fully-insured plan for group health coverage. Amounts expensed under the insurance plan were $417,000 and $350,000 in 2024 and 2023, respectively.

Continued

12. Leases

Lessor

The Authority is a lessor for office space under leases expiring at various dates through 2027. The Authority recognized $57,000 and $45,000 in lease revenue during 2024 and 2023, respectively. The Authority also recognized $6,000 and $12,000 in interest revenue during 2024 and 2023, respectively.

Lessee

The Authority is a lessee for noncancellable leased equipment. Intangible right-to-use lease assets and lease liabilities as of September 30, 2024 and 2023 were as follows:

	2024	2023
Intangible right-to-use lease assets	$ 377,000	$ 176,000
Lease liabilities:		
Current maturities	$ 105,000	$ 42,000
Long-term	282,000	142,000
Total	$ 387,000	$ 184,000

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

	2024	2023
Right-to-use lease asset amortization	$ 66,000	$ 42,000
Lease liability interest expense	16,000	7,000
Total lease cost	$ 82,000	$ 49,000

None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

Continued

13. Retirement Plan

The Authority provides retirement benefits for substantially all of its full-time employees through the Monroe County Hospital 403(b) Tax Deferred Annuity Plan (Plan), a defined contribution plan. The Plan is administered by ING. All full-time employees are eligible to participate in the Plan after one year of service and the attainment of age 21. The Authority's Board of Trustees (Board) defines the Plan's provisions.

Employees may make voluntary contributions to the Plan. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Authority contributes 0% - 75% of the employee's contributions, not including the employee's contributions exceeding 6% of the employee's compensation. The Authority's percentage is determined by the Board. The Authority's contribution percentage for 2024 and 2023 was 25%. The Authority's contributions were $17,000 and $13,000 in 2024 and 2023, respectively.

The Authority may also make discretionary contributions of 0% - 5% of each participant's compensation. Discretionary contributions are determined annually by the Board. There were no discretionary contributions made by the Authority in 2024 and 2023.

Employees are vested immediately in their contributions. Vesting in the Authority's contribution portion of their accounts is based on a five-year graded scale. Forfeited nonvested accounts may be used to reduce the Authority's contribution. The Authority recognized no forfeitures in pension expense during 2024 or 2023.

14. Fair Values 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, accounts payable, unearned revenue, accrued expenses, estimated third-party payor settlements and short-term obligations:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Noncurrent cash and investments:* These assets consist of cash, certificates of deposit, and money market funds. The cash and certificates of deposit are stated at amortized cost, which approximates its fair value. The money market funds are stated at fair value. See Note 15 for fair value measurements.

- *Long-term debt:* The fair value of the Authority's fixed rate certificates is based on quoted market value for same or similar debt instruments. The carrying amount of remaining debt obligations approximates fair value.

Continued

14. Fair Values of Financial Instruments, Continued

The carrying amount and fair value of the Authority's long-term debt at September 30, 2024 and 2023 is as follows:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$8,256,000	$8,175,000	$8,579,000	$7,732,000

15. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of September 30, 2024 and 2023:

	Fair Value Measurements at Reporting Date Using			
September 30, 2024	Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market funds	$10,000	$10,000	$ -	$ -

	Fair Value Measurements at Reporting Date Using			
September 30, 2023	Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market funds	$198,000	$198,000	$ -	$ -

Money market funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Continued

16. Concentration of Credit Risk

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

	2024	2023
Medicare	28%	26%
Medicaid	10%	8%
Blue Cross	9%	6%
Other third-party payors	27%	26%
Patients	26%	34%
	100%	100%

17. Management Agreement

The Authority entered into a Management Services Agreement (Agreement) with Navicent Health, Inc. (Navicent) on September 1, 2016. The initial term of the Agreement is for five years. The amounts paid were $35,000 in fiscal year 2024 and $425,000 in fiscal year 2023. Amounts paid to Navicent Health, Inc. under the agreement are reported with total operating expenses on the statements of revenues, expenses, and changes in net position.

On October 31, 2023, the management relationship with Navicent ended. The Authority entered into a new management agreement with Aletheia Health Partners August 31, 2023, but it did not commence until November 1, 2023. The initial term of the Agreement is for three years. The amount paid was $275,000 in fiscal year 2024. Amounts paid to Aletheia Health Partners under the agreement are reported with total operating expenses on the statements of revenues, expenses and changes in net position.

The purpose of this change is to have Aletheia oversee the day-to-day operations of Monroe County Hospital (Hospital) and to focus on keeping and adding much needed healthcare services to the community.

This new management relationship will allow hospital leadership and the Authority to focus on reopening previously closed services, such as the operating room, which will provide much needed revenue growth and allow for local citizens to stay close to home for these services. The management will continue to add other outpatient services that meet the community needs.

Continued

17. Management Agreement, Continued

The management team and the Authority are committed to the success of the Hospital. The renovations of the emergency department, patient rooms, and other areas of the Hospital are complete and set the hospital apart from many other rural hospitals in the state. A master plan of the facilities and property will be conducted under Aletheia to determine other capital needs that are needed to help the Hospital to continue growing.

The COVID-19 pandemic showed the importance of keeping healthcare in rural communities. Management efforts during that crisis were focused on maintaining the workforce and developing a plan to react quickly when a surge occurs. The management team will continue to focus on providing quality care and excellent service for the community.

18. 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 during calendar years 2017 through 2029. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2024 and 2023. Contributions received under the program approximated $919,000 during fiscal year 2024 and $1,571,000 during fiscal year 2023. The Hospital will have to be approved by the State to participate in the program in each subsequent year. These funds are reflected in noncapital grants and contributions in the accompanying statements of revenues, expenses and changes in net position.

19. CARES and ARP Acts

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

Continued

19. CARES and ARP Acts, Continued

On March 27, 2020, the President signed the CARES Act. Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. On March 11, 2021, the *American Rescue Plan Act* (ARP) was passed. This Act provides additional funding to replenish and supplement key programs, including funds to hospitals and other providers that serve patients living in rural areas. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position.

The Authority received approximately $7,844,000 in grant stimulus funding in fiscal years 2020 through 2024. The Authority recognized approximately $318,000, $-0-, and $1,042,000 during fiscal years 2024, 2023, and 2022, respectively. As of September 30, 2024 the Authority had approximately $-0- in unearned revenue related to grant stimulus funding received.

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

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

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

Board of Trustees
Hospital Authority of Monroe County
Forsyth, 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 Monroe County (Authority), a component unit of Monroe County, Georgia, which comprise the balance sheet as of September 30, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2025.

Report on Internal Control Over Financial Reporting

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

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

Continued

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001, that we consider to be a significant deficiency.

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*.

Hospital Authority of Monroe County'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 and responses. 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

Albany, Georgia
May 22, 2025

HOSPITAL AUTHORITY OF MONROE COUNTY
(A Component Unit of Monroe County, Georgia)

SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2024

Significant Deficiency 2024-001 Operating Cash Reconciliation

Condition:	Operating cash is not reconciled timely to supporting documentation prior to the close of the fiscal year.
Criteria:	The operating cash bank account should be reconciled to the general ledger on a monthly basis as part of the month-end close process.
Cause:	Due to the complexity of the posting process and limited human resources available, hospital staff were unable to fully resolve the unreconciled operating cash variance.
Effect:	The Authority's financial statements could be materially misstated due to an error not detected in a timely manner.
Recommendation:	The Authority should reconcile the operating cash bank account to the general ledger on a monthly basis.
Views of Responsible Officials and Planned Corrective Actions:	The operating cash bank account will be reconciled completely on a monthly basis going forward. When unresolved variances arise the Authority will obtain external assistance to identify a resolution.