

HOSPITAL AUTHORITY OF VALDOSTA
AND LOWNDES COUNTY, GEORGIA

FINANCIAL STATEMENTS

for the years ended September 30, 2023 and 2022



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HOSPITAL AUTHORITY OF VALDOSTA
AND LOWNDES COUNTY, GEORGIA



FINANCIAL STATEMENTS

for the years ended September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Hospital Authority of Valdosta
and Lowndes County, Georgia
Valdosta, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Hospital Authority of Valdosta and Lowndes County, Georgia (Authority), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Hospital Authority of Valdosta and Lowndes County, Georgia as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

Change in Accounting Principle

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

Continued

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 8 and the Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions on pages 63 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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, 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
December 18, 2023



Management's Discussion and Analysis For the Year Ending September 30, 2023

Management's discussion and analysis of the Hospital Authority of Valdosta and Lowndes County, Georgia's (Authority) financial performance provides an overview of the Authority's financial performance during the fiscal years ended September 30, 2023, 2022, and 2021. This discussion is intended to be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority's net position increased by \$31.7 million in 2023, and decreased by \$92.6 million in 2022.
- The Authority reported a net operating gain of \$5.5 million for 2023, and a net operating loss of \$53.5 million for 2022.

Using This Annual Report

The Authority's financial statements consist of three statements: a balance sheet; a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority, but restricted for specific purposes by contributors, grantors, or enabling legislation.

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

In accrual accounting, revenues are reported when earned regardless of when cash is received, and expenses are reported as incurred irrespective of when they are paid. The balance sheet and statement of revenues, expenses, and changes in net position report the Authority's net position and changes in net position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors should be considered, such as changes in the Authority's volume, payor mix, and measures of the quality of service it provides to the community, as well as local economic and demographic factors to assess the overall financial health of the Authority.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

Continued

**Management's Discussion and Analysis
For the Year Ending September 30, 2023**

The Authority's Net Position

The Authority's net position is the difference between its assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources reported on the Balance Sheet. The following table summarizes the Balance Sheets as of September 30, for the fiscal years ending 2023, 2022, and 2021:

Balance Sheet Data

	(Dollars In Thousands)		
	<u>2023</u>	Restated <u>2022</u>	<u>2021</u>
Current assets	\$ 106,792	\$ 90,601	\$ 160,952
Noncurrent cash and investments	210,949	198,036	259,701
Capital assets, net	195,488	200,863	179,098
Other non-current assets	2,127	14,065	6,554
Deferred outflows of resources	<u>14,007</u>	<u>10,981</u>	<u>14,202</u>
 Total assets and deferred outflows of resources	 <u>\$ 529,363</u>	 <u>\$ 514,546</u>	 <u>\$ 620,507</u>
Current liabilities	\$ 77,957	\$ 78,810	\$ 107,367
Long-term debt	130,660	137,358	144,008
Lease and subscription IT liabilities	20,203	24,936	6,233
Net pension liability	6,017	-	-
Deferred inflows of resources	906	11,550	8,443
Net position	<u>293,620</u>	<u>261,892</u>	<u>354,456</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 529,363</u>	 <u>\$ 514,546</u>	 <u>\$ 620,507</u>

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

Continued

**Management's Discussion and Analysis
For the Year Ending September 30, 2023**

The following table summarizes the revenues and expenses for the years ended September 30, 2023, 2022, and 2021:

Statement of Revenue and Expense Data

	(Dollars In Thousands)		
	<u>2023</u>	Restated <u>2022</u>	<u>2021</u>
Operating revenues	\$ 485,961	\$ 427,029	\$ 446,594
Expenses:			
Operating expenses	454,940	451,532	431,541
Depreciation and amortization	<u>25,492</u>	<u>28,982</u>	<u>23,952</u>
Total expenses	<u>480,432</u>	<u>480,514</u>	<u>455,493</u>
Operating income (loss)	5,529	(53,485)	(8,899)
Nonoperating revenue (expenses):			
Investment income (loss)	29,811	(40,308)	43,516
Interest expense	(6,628)	(6,674)	(5,733)
Contract settlement	-	(2,100)	-
Noncapital grants and contributions	<u>2,566</u>	<u>9,598</u>	<u>36,448</u>
Excess revenues (expenses) before capital contributions	31,278	(92,969)	65,332
Capital contributions	<u>450</u>	<u>405</u>	<u>785</u>
Increase (decrease) in net position	<u>\$ 31,728</u>	<u>\$ (92,564)</u>	<u>\$ 66,117</u>

Continued

**Management's Discussion and Analysis
For the Year Ending September 30, 2023**

A recap of the Authority's long-term debt outstanding at September 30, 2023, 2022, and 2021, follows:

		(Dollars In Thousands)		
<u>Description</u>	<u>Interest Rates</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue Certificates, Series 2019A	4.00%-5.00%	\$ 38,380	\$ 39,925	\$ 41,395
Revenue Certificates, Series 2019B	2.00%-3.75%	88,305	91,315	94,255
Other financing obligations	Variable rates	<u>2,560</u>	<u>4,008</u>	<u>4,620</u>
Total long-term debt, excluding discounts and premiums		<u>\$ 129,245</u>	<u>\$ 135,248</u>	<u>\$ 140,270</u>

The Authority's investment in capital assets placed in service during 2023, 2022, and 2021, is summarized in the table below:

		(Dollars In Thousands)		
<u>Capital Assets</u>		<u>2023</u>	<u>2022</u>	<u>2021</u>
Construction/renovation projects		\$ 7,614	\$ 8,669	\$ 7,508
Movable equipment		8,342	9,352	10,023
Information system upgrades		<u>1,074</u>	<u>1,498</u>	<u>-</u>
Net capital asset additions		<u>\$ 17,030</u>	<u>\$ 19,519</u>	<u>\$ 17,531</u>

See Notes 7 and 8 to the financial statements for additional information about the capital assets and debt of the Authority.

The fiscal year 2023 financial statements reflect the completion of an extremely improved financial and operational period for the Authority. The financial operations improvement plan initiated in July 2022 has continued to produce favorable results in most categories compared to budget and prior year - even with significant activities both planned and unplanned, such as Smith Northview Emergency Department and Revenue Cycle transition (planned) and the impact of Hurricane Idalia (unplanned). The team at SGMC executed its turnaround in almost all areas for the fiscal year 2023. Overall for the year, operating revenue ended slightly below budget and significantly above prior year. Operating expenses were below budget and slightly above prior year. The main areas of focus for continued improvement and success remain constant - volume/revenue growth, expense control, and revenue cycle improvement. The Authority has made improvements, continuing to sustain adjustments, and continue to make additional operational enhancements.

Continued

Management's Discussion and Analysis For the Year Ending September 30, 2023

The Authority's financial performance exceeded prior year and budget for both EBITDA and Operating Income for the year. Some operating indicators for fiscal year 2023 include:

- Inpatient Discharges - 14,759; 2.4% below budget and 4.1% above prior year
- Observation Days - 9,433; 14.1% below budget and 20.2% below prior year
- Emergency Department Visits - 98,753; 4.5% below budget and 8.2% above prior year
- Labor Efficiency - 3.8% improvement to budget and 4.3% improvement to prior year

From a blended volume standpoint, adjusted discharges were above budget by 3.1%. Surgeries were below budget by 3.1%, and outpatient heart catheterizations were above budget by 30.0%. Outpatient visits (including SPN) were above budget by 3.1%. On a summary level for volume, the indicators were varied which required operations to adjust accordingly.

There were many other encouraging, positive signs including a positive EBITDA of \$24.2 million for fiscal year 2023 (\$764 thousand above budget and \$52.8 million above prior year). Cash and cash equivalents were \$243.7 million, an increase of \$21.0 million from prior year, which was mostly impacted by investment portfolio results and a \$7 million bond payment.

The Authority plans to continue the financial improvement plan with an emphasis on growth, operational efficiencies, and revenue cycle performance to produce sustained positive financial results. Continued volume growth coupled with high quality, efficient delivery of care are the main drivers of the Authority's financial success.

Fiduciary Fund

As described in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* in 2021. Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the Authority. The Authority is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust arrangements. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Authority's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The Authority's South Georgia Medical Center Retirement Plan (Note 12) is reported under the fiduciary fund. Since the resources of this fund are not available to support the Authority's own programs, the fund is not reflected in the Authority's financial statements. The statements of fiduciary net position and the statements of changes in fiduciary net position can be found on pages 14 and 15, respectively, of this report.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Authority finance department at Hospital Authority of Valdosta and Lowndes County, Georgia, 2501 North Patterson Street, Valdosta, GA 31603.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEETS
September 30, 2023 and 2022

	(Dollars In Thousands)	
	<u>2023</u>	Restated <u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	\$ 21,916	\$ 12,122
Short-term investments	10,823	12,606
Patient accounts receivable, net of estimated uncollectibles of \$36,852 in 2023 and \$50,324 in 2022	42,934	37,768
Other receivables	11,926	10,014
Supplies (first-in, first-out)	13,226	11,826
Estimated third-party payor settlements	692	1,238
Other current assets	<u>5,275</u>	<u>5,027</u>
Total current assets	<u>106,792</u>	<u>90,601</u>
Noncurrent cash and investments:		
Internally designated for capital improvements	<u>210,949</u>	<u>198,036</u>
Capital assets:		
Non-depreciable	31,235	25,145
Depreciable, net of accumulated depreciation	135,589	142,919
Intangible right-to-use lease assets and subscription IT assets, net of accumulated amortization	<u>28,664</u>	<u>32,799</u>
Total capital assets, net	<u>195,488</u>	<u>200,863</u>
Other assets:		
Net pension asset	-	11,689
Other assets	<u>2,127</u>	<u>2,376</u>
Total other assets	<u>2,127</u>	<u>14,065</u>
Total assets	515,356	503,565
Deferred outflows of resources	<u>14,007</u>	<u>10,981</u>
Total assets and deferred outflows of resources	<u>\$ 529,363</u>	<u>\$ 514,546</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEETS, Continued
September 30, 2023 and 2022

	(Dollars In Thousands)	
	<u>2023</u>	Restated <u>2022</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ 5,985	\$ 6,202
Current maturities of lease and subscription IT liabilities	7,246	7,076
Accounts payable	26,223	23,197
Accrued expenses	36,509	40,292
Estimated third-party payor settlements	<u>1,994</u>	<u>2,043</u>
Total current liabilities	77,957	78,810
Long-term debt, excluding current maturities	130,660	137,358
Lease and subscription IT liabilities, excluding current maturities	20,203	24,936
Net pension liability	<u>6,017</u>	<u>-</u>
Total liabilities	<u>234,837</u>	<u>241,104</u>
Deferred inflows of resources	<u>906</u>	<u>11,550</u>
Net position:		
Net investment in capital assets	56,688	52,435
Unrestricted	<u>236,932</u>	<u>209,457</u>
Net position	<u>293,620</u>	<u>261,892</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 529,363</u>	<u>\$ 514,546</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

	(Dollars In Thousands)	
	<u>2023</u>	Restated <u>2022</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$43,169 in 2023 and \$49,930 in 2022)	\$ 472,548	\$ 416,185
Other revenue	<u>13,413</u>	<u>10,844</u>
Total operating revenues	<u>485,961</u>	<u>427,029</u>
Operating expenses:		
Salaries and benefits	241,271	244,448
Supplies	105,505	103,463
Services	50,347	45,743
Depreciation and amortization	25,492	28,982
Medical and professional fees	43,745	42,530
Other expenses	<u>14,072</u>	<u>15,348</u>
Total operating expenses	<u>480,432</u>	<u>480,514</u>
Operating income (loss)	<u>5,529</u>	<u>(53,485)</u>
Nonoperating revenue (expenses):		
Investment income (loss)	29,811	(40,308)
Interest expense	(6,628)	(6,674)
Contract settlement	-	(2,100)
Noncapital grants and contributions	<u>2,566</u>	<u>9,598</u>
Total nonoperating revenues (expenses)	<u>25,749</u>	<u>(39,484)</u>
Excess revenues (expenses) before capital contributions	31,278	(92,969)
Capital contributions	<u>450</u>	<u>405</u>
Increase (decrease) in net position	<u>31,728</u>	<u>(92,564)</u>
Net position, beginning of year, originally reported	262,262	354,456
Implementation of GASB Statement No. 96	<u>(370)</u>	<u>-</u>
Net position, beginning of year, restated	<u>261,892</u>	<u>354,456</u>
Net position, end of year	<u>\$ 293,620</u>	<u>\$ 261,892</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

	(Dollars In Thousands)	
	<u>2023</u>	Restated <u>2022</u>
Cash flows from operating activities:		
Cash received from patients and payors	\$ 481,292	\$ 439,118
Cash repayments of Medicare advanced payments	-	(27,514)
Cash payments to vendors and other suppliers	(219,159)	(206,610)
Cash payments to employees	<u>(238,258)</u>	<u>(254,511)</u>
Net cash provided (used) by operating activities	<u>23,875</u>	<u>(49,517)</u>
Cash flows from noncapital financing activities:		
Noncapital grants and contributions	<u>2,566</u>	<u>9,598</u>
Net cash provided by noncapital financing activities	<u>2,566</u>	<u>9,598</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(7,337)	(7,925)
Interest paid on long-term debt	(4,829)	(5,032)
Principal paid on lease and subscription IT liabilities	(6,852)	(4,524)
Interest paid on lease and subscription IT liabilities	(830)	(874)
Purchase of capital assets	(15,930)	(18,791)
Capital contributions	<u>450</u>	<u>405</u>
Net cash used by capital and related financing activities	<u>(35,328)</u>	<u>(36,741)</u>
Cash flows from investing activities:		
Purchase of investments	(152,231)	(103,994)
Proceeds from sale of investments	165,881	108,872
Income on investments	<u>4,703</u>	<u>4,201</u>
Net cash provided by investing activities	<u>18,353</u>	<u>9,079</u>
Net increase (decrease) in cash and cash equivalents	9,466	(67,581)
Cash and cash equivalents, beginning of year	<u>19,402</u>	<u>86,983</u>
Cash and cash equivalents, end of year	<u>\$ 28,868</u>	<u>\$ 19,402</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

	(Dollars In Thousands)	
	<u>2023</u>	Restated <u>2022</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 21,916	\$ 12,122
Restricted cash and cash equivalents	<u>6,952</u>	<u>7,280</u>
 Total cash and cash equivalents	 <u>\$ 28,868</u>	 <u>\$ 19,402</u>
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$ 5,529	\$ (53,485)
Depreciation and amortization	25,492	28,982
Changes in:		
Patient accounts receivable	(5,166)	13,212
Supplies	(1,400)	(3,227)
Other assets	(248)	(363)
Other receivables	(1,663)	5,070
Accounts payable	2,504	1,462
Accrued expenses	(4,078)	(9,699)
Estimated third-party payor settlements	497	(1,123)
Medicare advanced payments	-	(27,514)
Pension activity	<u>2,408</u>	<u>(2,832)</u>
 Net cash provided (used) by operating activities	 <u>\$ 23,875</u>	 <u>\$ (49,517)</u>

Supplemental disclosures of cash flow information:

- The Authority held investments at September 30, 2023 and 2022, with a fair value of \$214.8 million and \$203.4 million, respectively. During 2023 and 2022, the net change in the fair value of these investments was an increase of \$4.6 million and a decrease of \$53.0 million, respectively.
- Purchases of capital assets in accounts payable as of September 30, 2023 and 2022, were \$0.5 million and \$0.4 million, respectively.
- The Authority entered into lease and subscription IT obligations in 2023 and 2022, in an amount of \$2.3 million and \$7.5 million, respectively.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF FIDUCIARY NET POSITION - PENSION TRUST FUND
as of September 30, 2023 and 2022
(fiduciary fund as of December 31, 2022 and 2021)

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Assets:		
Investments, at fair value	\$ 69,308	\$ 88,610
Net position restricted for pensions:		
Total net position	\$ 69,308	\$ 88,610

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND
for the years ended September 30, 2023 and 2022
(fiduciary fund fiscal years ended December 31, 2022 and 2021)

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Additions:		
Additions (deductions) to net position attributed to:		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ (14,696)	\$ 1,461
Interest and dividends	<u>2,267</u>	<u>11,781</u>
Total investment income (loss)	(12,429)	13,242
Employer contributions	<u>876</u>	<u>1,041</u>
Total additions (deductions)	<u>(11,553)</u>	<u>14,283</u>
Deductions:		
Deductions from net position attributed to:		
Participant distributions	7,693	6,996
Administrative expenses	<u>56</u>	<u>55</u>
Total deductions	<u>7,749</u>	<u>7,051</u>
Net increase (decrease)	(19,302)	7,232
Net position restricted for pensions:		
Beginning of year	<u>88,610</u>	<u>81,378</u>
End of year	<u>\$ 69,308</u>	<u>\$ 88,610</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

September 30, 2023 and 2022

1. Summary of Significant Accounting Policies

Organization

The Hospital Authority of Valdosta and Lowndes County, Georgia (Authority) owns and operates (1) South Georgia Medical Center (SGMC), a 330 licensed-bed acute care general hospital facility located in the City of Valdosta, Lowndes County, Georgia, including SGMC - Smith Northview (Smith), a healthcare facility located in the City of Valdosta, Lowndes County, Georgia; (2) SGMC - Berrien Hospital (Berrien), a 51 licensed-bed acute care general hospital facility and a 12 licensed geri-psychiatric bed unit located in the City of Nashville, Berrien County, Georgia; and (3) SGMC - Lanier Hospital (Lanier), a 25 licensed-bed critical access hospital facility providing acute and sub-acute care and a 62-bed skilled nursing facility, both located in the City of Lakeland, Lanier County, Georgia, and other services and facilities.

The SGMC Physician Network, Inc. (SPN) was created on January 25, 2019, and became operational on November 1, 2020. SPN, a blended component unit of the Authority, is a Georgia not-for-profit corporation organized to support the functions and powers of the Authority and to operate a physician network. The Authority elects the SPN Board of Directors and controls the operations of the SPN.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on an 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).

Fiduciary Fund

The Pension Trust Fund is excluded from the Authority's financial statements as these assets are held in a trust capacity for the benefit of employees of the Authority who participate in the South Georgia Medical Center Retirement Plan (Note 12) and cannot be used to support the Authority's programs. These financial statements comprise the fiduciary fund financial statements on pages 14-15.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

1. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

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

Short-Term Investments

Short-term investments include assets internally designated for professional liability claims and for bond payments that are anticipated to satisfy related obligations included in current liabilities.

Allowance for Doubtful Accounts

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

Supplies

Supplies are valued at the lower of cost or market value, using the first-in, first-out (FIFO) method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets internally designated for capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in investment income when earned.

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. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Leased assets are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the underlying asset. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or the estimated useful life of the underlying IT asset. Such amortization is included in depreciation and amortization in the financial statements.

Continued

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

1. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

Land improvements	10 to 20 years
Buildings and improvements	10 to 40 years
Equipment	3 to 15 years
Right-to-use lease assets	1 to 9 years
Right-to-use subscription IT assets	3 to 9 years

Impairment of Capital 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. Capital asset impairment is considered whenever indicators of impairment are present, such as the decline in service utility of a capital asset that is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

The Authority did not record any impairment losses for the years ended September 30, 2023 and 2022.

Leases

The Authority is a lessee for noncancellable leased property and 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

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

1. 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 current and noncurrent liabilities on the balance sheets.

Subscription-Based Information Technology Arrangements

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

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

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

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

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

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

1. Summary of Significant Accounting Policies, Continued

Costs of Borrowing

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

Financing Costs

Costs incurred in connection with the issuance of long-term debt are expensed in the period incurred.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent the consumption or acquisition, respectively, of the Authority's net assets applicable to a future reporting period, and consist of the following as of September 30, 2023 and 2022. See Notes 8, 10, and 12 for additional information.

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Deferred outflows of resources:		
Goodwill	\$ 1,057	\$ 1,238
Loss on bond defeasance	4,343	5,790
Pension related	<u>8,607</u>	<u>3,953</u>
Total deferred outflows of resources	<u>\$ 14,007</u>	<u>\$ 10,981</u>
Deferred inflows of resources:		
Gain on bond defeasance	\$ 411	\$ 452
Pension related	<u>495</u>	<u>11,098</u>
Total deferred inflows of resources	<u>\$ 906</u>	<u>\$ 11,550</u>

Net Pension Liability (Asset)

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension items and pension expense, information about the fiduciary net position of the defined benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

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

1. Summary of Significant Accounting Policies, Continued

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 leave in good standing will be eligible for payment of paid time off upon their resignation.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Provider Relief Fund grants received through the CARES Act and other grant advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 19 for additional information.

Net Position

Net position of the Authority is classified into three components - *net investment in capital assets, restricted, and unrestricted*. These classifications are defined as follows:

- *Net investment in capital assets* - This component of net position 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* - This component of net position consists of 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* - This component of net position consists of the remaining net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of *net investment in capital assets or restricted*.

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.

Continued

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

1. Summary of Significant Accounting Policies, Continued

Charity Care

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

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. Non-exchange revenues, including investment income and grants received for purposes other than capital asset acquisition are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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 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 19 for additional information regarding government stimulus funding.

Restricted Resources

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

Income Taxes

The Authority is a public corporation and is also exempt from taxation under Section 501(a) of the Internal Revenue Code (IRC). Therefore, no provision for income taxes is made in the financial statements. SPN has incurred operating losses for tax purposes and has not recorded a current or deferred tax provision due to significant operating loss (NOL) carryforwards, which would be utilized to offset any potential tax liabilities generated from future taxable income. At September 30, 2023, a significant NOL carryforward exists and is available for the offset of future taxable income. No asset has been recognized related to this NOL carryforward due to expected continued operating losses.

Continued

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

1. Summary of Significant Accounting Policies, Continued

Risk Management

The Authority is exposed to various risks of loss from torts. The Authority purchases commercial insurance with a self-retention amount to protect itself against such risks. The provision for estimated professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported. See Note 15 for a summary of the professional and general liability program. The Authority is self-insured for employee health and accident benefits, and purchases stop-loss coverage for large claims. The expenses for employee health claims include the costs of actual claims incurred and an estimate of the claims incurred, but not reported. See Note 14 for a summary of the employee health plan. The Authority has purchased commercial insurance for claims arising from theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters.

Fair Value Measurements

GASB Statement No. 72 - *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB 72 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers. The standard clarifies the definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. It also establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations. GASB 91 is effective for fiscal years beginning after December 15, 2021, with GASB 95 deferral. The Authority has adopted the provisions of GASB 91.

In June 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. GASB 96 is effective for fiscal years beginning after June 15, 2022. The Authority adopted GASB 96 on October 1, 2022, and retroactively implemented the statement effective October 1, 2021. The adoption of this statement resulted in an increase in subscription obligations and related right-to-use subscription assets of approximately \$21.1 million as of October 1, 2021.

Prior Year Reclassifications

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

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

2. Charity Care and Discount for Uninsured Patients

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended September 30, 2023 and 2022.

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Charges foregone, based on established rates	\$ <u>90,633</u>	\$ <u>85,526</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>26,850</u>	\$ <u>28,198</u>
Equivalent percentage of charity care patients to all patients served	<u>5.6%</u>	<u>5.9%</u>

The Authority provides a discount for uninsured patients. For fiscal years ended September 30, 2023 and 2022, the charges foregone and the estimated costs of services related to this discount were as follows:

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Charges foregone, based on established rates	\$ <u>13,332</u>	\$ <u>14,030</u>
Estimated costs and expenses incurred to provide discounts for uninsured patients	\$ <u>3,950</u>	\$ <u>4,626</u>
Equivalent percentage of discounts to uninsured patients to all patients served	<u>0.8%</u>	<u>1.0%</u>

Continued

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

3. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 49% and 13%, respectively, of the Authority's net patient revenue for the year ended 2023, and 55% and 15%, respectively, of the Authority's net patient revenue for the year ended 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

For SGMC and Berrien, inpatient acute care, outpatient, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per diem/discharge as applicable. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Inpatient psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined per diems.

Lanier was granted critical access designation by the Medicare program in 2002. The critical access designation allows Lanier to have up to twenty-five beds interchangeable between acute care inpatient services and swing bed services and places certain restrictions on daily acute care inpatient census and an annual average length of stay of acute care inpatients. As a critical access hospital, payments for inpatient and outpatient services are based on the reasonable costs of providing such services.

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

Continued

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

3. Net Patient Service Revenue, Continued

• Medicare, Continued

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the 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. Medicare cost reports for certain facilities remain open back to September 30, 2019.

• Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under 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 Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2020.

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

Nursing Home services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per day. This rate is determined principally by the cost per day reflected in cost reports submitted to and audited by the Medicaid fiscal intermediary adjusted for certain incentives and inflation factors.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment resulted in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$5.3 million and \$4.8 million relating to the Act is included in services in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2023 and 2022, respectively.

Continued

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

3. Net Patient Service Revenue, Continued

• Medicaid, Continued

The Authority participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately \$7.7 million and \$5.6 million for the years ended September 30, 2023 and 2022, respectively.

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for enhanced payments to Medicaid providers under the Upper Payment Limit (UPL) methodology. Subsequent to the implementation of the UPL methodology, federal budget concerns have led to reconsideration of the BIPA legislation with possible elimination or reduction of enhanced Medicaid payments. The financial statements include enhanced payments for 2023 and 2022, of approximately \$4.7 million and \$3.8 million, respectively.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately \$8.8 million and \$1.1 million during 2023 and 2022, respectively.

• Other Arrangements

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

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

3. Net Patient Service Revenue, Continued

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

	<u>(Dollars In Thousands)</u>	
	<u>2023</u>	<u>2022</u>
Gross patient charges	<u>\$ 1,621,733</u>	<u>\$ 1,457,438</u>
Uncompensated services:		
Medicare	532,938	487,719
Medicaid	193,847	161,078
Tricare	41,719	36,230
Indigent and charity care	90,633	85,526
Other third-party payors	268,138	231,270
Provision for bad debts	43,169	49,930
Indigent Care Trust Fund	(7,747)	(5,600)
Upper Payment Limit	(4,727)	(3,800)
Hospital Directed Payment Program	<u>(8,785)</u>	<u>(1,100)</u>
Total uncompensated care	<u>1,149,185</u>	<u>1,041,253</u>
Net patient service revenue	<u>\$ 472,548</u>	<u>\$ 416,185</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

4. Cash and Investments

As discussed in Note 1, the Authority's investments are generally carried at fair value. Cash and investments as of September 30, 2023 and 2022, are classified in the accompanying financial statements as follows:

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Balance sheets:		
Cash and cash equivalents	\$ 21,916	\$ 12,122
Short-term investments	10,823	12,606
Noncurrent cash and investments:		
Internally designated for capital improvements	<u>210,949</u>	<u>198,036</u>
Total cash and investments	<u>\$ 243,688</u>	<u>\$ 222,764</u>
Cash and equivalents consist of the following:		
Cash on hand	\$ 14	\$ 14
Deposits with financial institutions	21,681	12,313
Cash equivalents	<u>7,173</u>	<u>7,075</u>
Cash and cash equivalents	<u>28,868</u>	<u>19,402</u>
Investments consist of the following:		
Investments in equity securities	122,938	116,512
Investments in debt securities	31,339	33,494
Investments in mutual funds	32,615	40,661
Investments in money market funds	25,413	9,147
Investments in real estate investment trusts	<u>2,515</u>	<u>3,548</u>
Investments	<u>214,820</u>	<u>203,362</u>
Total cash and investments	<u>\$ 243,688</u>	<u>\$ 222,764</u>

Disclosures Relating to Interest Rate Risk

The Authority manages its exposure to declines in fair values from rising interest rates by investing in debt securities with short to intermediate maturities. The Authority's investment policy requires that the duration of fixed income and debt securities be no longer than 125% of the Barclays Government/Credit Intermediate Index. The weighted average maturity presented below is calculated based on the maturity date of the security. For many of the fixed income and debt securities, the expected life is shorter than the maturity date as presented below.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

4. Cash and Investments, Continued

Disclosures Relating to Interest Rate Risk, Continued

As of September 30, 2023 and 2022, the Authority had the following investments in debt securities and weighted average maturities:

	2023		2022	
	(Dollars in Thousands) <u>Amount</u>	Weighted Average Maturity (In Years)	(Dollars in Thousands) <u>Amount</u>	Weighted Average Maturity (In Years)
Debt securities:				
U.S. government obligations	\$ 11,013	1.0	\$ 10,330	0.9
Mortgage-backed securities	2,029	0.5	2,453	0.7
Collateralized mortgage obligations	6,055	1.2	5,303	1.2
Corporate bonds	12,242	0.9	15,408	1.2
Total debt securities	31,339	3.6	33,494	4.0
Mutual funds:				
Fixed income	32,615	4.8	40,661	4.7
Grand total	\$ 63,954	8.4	\$ 74,155	8.7

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Authority manages its exposure to credit risk by requiring in its investment policy, that the average quality rating of bonds be investment grade A or better as judged by a nationally recognized rating agency. In addition, the Authority's policy requires that no more than 10% of the fixed income securities be below investment grade Baa.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

4. Cash and Investments, Continued

Disclosures Relating to Credit Risk, Continued

As of September 30, 2023 and 2022, the Authority's investments in debt securities and money market funds had the following ratings:

	(Dollars In Thousands) Amount	Rating as of September 30, 2023					
		Aaa	Aa	A	Baa	Ba	B
Debt securities:							
U.S. government obligations	\$ 11,013	\$ 11,013	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	2,029	1,374	655	-	-	-	-
Collateralized mortgage obligations	6,055	4,601	791	540	123	-	-
Corporate bonds	<u>12,242</u>	<u>358</u>	<u>248</u>	<u>5,738</u>	<u>5,547</u>	<u>325</u>	<u>26</u>
Total debt securities	<u>\$ 31,339</u>	<u>\$ 17,346</u>	<u>\$ 1,694</u>	<u>\$ 6,278</u>	<u>\$ 5,670</u>	<u>\$ 325</u>	<u>\$ 26</u>
Money market funds	<u>\$ 25,413</u>	<u>\$ 25,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	(Dollars In Thousands) Amount	Rating as of September 30, 2022					
		Aaa	Aa	A	Baa	Ba	B
Debt securities:							
U.S. government obligations	\$ 10,330	\$ 10,330	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	2,453	-	2,453	-	-	-	-
Collateralized mortgage obligations	5,303	4,260	502	541	-	-	-
Corporate bonds	<u>15,408</u>	<u>416</u>	<u>627</u>	<u>6,141</u>	<u>7,857</u>	<u>367</u>	<u>-</u>
Total debt securities	<u>\$ 33,494</u>	<u>\$ 15,006</u>	<u>\$ 3,582</u>	<u>\$ 6,682</u>	<u>\$ 7,857</u>	<u>\$ 367</u>	<u>\$ -</u>
Money market funds	<u>\$ 9,147</u>	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

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

4. Cash and Investments, Continued

Disclosures Relating to Concentration of Credit Risk

The Authority's investment policy prohibits investments in any one issuer (other than U.S. Treasury securities, mutual funds, and money market funds) that are in excess of 10% of the Authority's total investments. Accordingly, the Authority did not own investments from any one issuer in excess of 10% as of September 30, 2023 and 2022.

Disclosures Relating to 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 the collateralization of deposits in excess of insurance. As of September 30, 2023, the Authority's deposits were 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 pledged collateral and a guarantee from all other banks participating in the contingent liability pool will cover any loss exceeding FDIC insurance limits.

Custodial credit risk for investments 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 investment or collateral securities that are in the possession of another party. At September 30, 2023 and 2022, the Authority owned \$214.8 million and \$203.4 million, respectively, in securities registered through the brokerage firm's trust department. Securities are held in the Authority's name.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

5. Fair Value Measurements

The Authority categorizes fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based upon the valuation inputs used to measure 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 fair value of assets measured on a recurring basis at September 30, 2023 and 2022, are as follows:

<u>September 30, 2023</u>	(Dollars in Thousands)			
	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 104,643	\$ 104,643	\$ -	\$ -
Foreign stock	<u>18,295</u>	<u>18,295</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>122,938</u>	<u>122,938</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	11,013	-	11,013	-
Mortgage-backed securities	2,029	-	2,029	-
Collateralized mortgage obligations	6,055	-	6,055	-
Corporate bonds	<u>12,242</u>	<u>-</u>	<u>12,242</u>	<u>-</u>
Total debt securities	<u>31,339</u>	<u>-</u>	<u>31,339</u>	<u>-</u>
Mutual funds - fixed income	<u>32,615</u>	<u>32,615</u>	<u>-</u>	<u>-</u>
Money market funds	<u>25,413</u>	<u>25,413</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>2,515</u>	<u>2,515</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 214,820</u>	<u>\$ 183,481</u>	<u>\$ 31,339</u>	<u>\$ -</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

5. Fair Value Measurements, Continued

<u>September 30, 2022</u>	(Dollars in Thousands)			
	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 97,079	\$ 97,079	\$ -	\$ -
Foreign stock	<u>19,433</u>	<u>19,433</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>116,512</u>	<u>116,512</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	10,330	-	10,330	-
Mortgage-backed securities	2,453	-	2,453	-
Collateralized mortgage obligations	5,303	-	5,303	-
Corporate bonds	<u>15,408</u>	<u>-</u>	<u>15,408</u>	<u>-</u>
Total debt securities	<u>33,494</u>	<u>-</u>	<u>33,494</u>	<u>-</u>
Mutual funds - fixed income	<u>40,661</u>	<u>40,661</u>	<u>-</u>	<u>-</u>
Money market funds	<u>9,147</u>	<u>8,798</u>	<u>349</u>	<u>-</u>
Real estate investment trusts	<u>3,548</u>	<u>3,548</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 203,362</u>	<u>\$ 169,519</u>	<u>\$ 33,843</u>	<u>\$ -</u>

Equity securities, mutual funds, money market funds, and real estate investment trusts valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Debt securities and money market funds valued using Level 2 inputs are based on a confluence of model drive analysis, matrix pricing, as well as actual trade and market color.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

6. Accounts Receivable and Payable

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

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 59,511	\$ 64,785
Receivable from Medicare	16,581	18,932
Receivable from Medicaid	<u>3,694</u>	<u>4,375</u>
Total patient accounts receivable	79,786	88,092
Less allowance for uncollectible amounts	<u>36,852</u>	<u>50,324</u>
Patient accounts receivable, net	<u>\$ 42,934</u>	<u>\$ 37,768</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 18,528	\$ 17,923
Payable to suppliers	26,224	24,595
Other	<u>17,980</u>	<u>20,971</u>
Total accounts payable and accrued expenses	<u>\$ 62,732</u>	<u>\$ 63,489</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

7. Capital Assets

Capital asset changes for the years ended September 30, 2023 and 2022, were as follows:

	(Dollars in Thousands)			
	Restated <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>
Land	\$ 9,465	\$ -	\$ (124)	\$ 9,341
Market access rights and tradename	9,385	-	-	9,385
Construction-in-progress	<u>6,295</u>	<u>26,567</u>	<u>(20,353)</u>	<u>12,509</u>
Capital assets not being depreciated	<u>25,145</u>	<u>26,567</u>	<u>(20,477)</u>	<u>31,235</u>
Land improvements	8,496	21	-	8,517
Buildings and improvements	281,917	1,379	(5)	283,291
Equipment	204,751	9,420	(256)	213,915
Other depreciable assets and intangibles	<u>6,264</u>	<u>-</u>	<u>(1,002)</u>	<u>5,262</u>
Depreciable capital assets	<u>501,428</u>	<u>10,820</u>	<u>(1,263)</u>	<u>510,985</u>
Less accumulated depreciation and amortization for:				
Land improvements	7,341	201	-	7,542
Buildings and improvements	174,594	8,246	(3)	182,837
Equipment	174,088	8,786	(241)	182,633
Other depreciable assets and intangibles	<u>2,486</u>	<u>850</u>	<u>(952)</u>	<u>2,384</u>
Total accumulated depreciation and amortization	<u>358,509</u>	<u>18,083</u>	<u>(1,196)</u>	<u>375,396</u>
Capital assets being depreciated, net	<u>142,919</u>	<u>(7,263)</u>	<u>(67)</u>	<u>135,589</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

7. Capital Assets, Continued

	(Dollars in Thousands)			
	Restated <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>
Leased property	\$ 4,183	\$ -	\$ -	\$ 4,183
Leased equipment	<u>5,639</u>	<u>622</u>	<u>(1,825)</u>	<u>4,436</u>
Lease assets	<u>9,822</u>	<u>622</u>	<u>(1,825)</u>	<u>8,619</u>
Less accumulated amortization for:				
Leased property	991	-	-	991
Leased equipment	<u>2,583</u>	<u>268</u>	<u>(539)</u>	<u>2,312</u>
Total accumulated amortization	<u>3,574</u>	<u>268</u>	<u>(539)</u>	<u>3,303</u>
Intangible right-to-use lease assets, net	<u>6,248</u>	<u>354</u>	<u>(1,286)</u>	<u>5,316</u>
Subscription IT assets	<u>30,783</u>	<u>2,862</u>	<u>-</u>	<u>33,645</u>
Less accumulated amortization for subscription IT assets	<u>4,232</u>	<u>6,065</u>	<u>-</u>	<u>10,297</u>
Intangible right-to-use subscription IT assets, net	<u>26,551</u>	<u>(3,203)</u>	<u>-</u>	<u>23,348</u>
Total capital assets, net	<u>\$ 200,863</u>	<u>\$ 16,455</u>	<u>\$ (21,830)</u>	<u>\$ 195,488</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

7. Capital Assets, Continued

	(Dollars in Thousands)			
	Restated <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Restated <u>2022</u>
Land	\$ 9,465	\$ -	\$ -	\$ 9,465
Market access rights and tradename	9,385	-	-	9,385
Construction-in-progress	<u>2,606</u>	<u>30,439</u>	<u>(26,750)</u>	<u>6,295</u>
Capital assets not being depreciated	<u>21,456</u>	<u>30,439</u>	<u>(26,750)</u>	<u>25,145</u>
Land improvements	8,496	-	-	8,496
Buildings and improvements	276,937	4,980	-	281,917
Equipment	194,435	10,701	(385)	204,751
Other depreciable assets and intangibles	<u>6,128</u>	<u>152</u>	<u>(16)</u>	<u>6,264</u>
Depreciable capital assets	<u>485,996</u>	<u>15,833</u>	<u>(401)</u>	<u>501,428</u>
Less accumulated depreciation and amortization for:				
Land improvements	7,121	220	-	7,341
Buildings and improvements	166,379	8,215	-	174,594
Equipment	160,738	13,703	(353)	174,088
Other depreciable assets and intangibles	<u>1,923</u>	<u>573</u>	<u>(10)</u>	<u>2,486</u>
Total accumulated depreciation and amortization	<u>336,161</u>	<u>22,711</u>	<u>(363)</u>	<u>358,509</u>
Capital assets being depreciated, net	<u>149,835</u>	<u>(6,878)</u>	<u>(38)</u>	<u>142,919</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

7. Capital Assets, Continued

	(Dollars in Thousands)			
	Restated <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Restated <u>2022</u>
Leased property	\$ 4,050	\$ 133	\$ -	\$ 4,183
Leased equipment	<u>5,571</u>	<u>170</u>	<u>(102)</u>	<u>5,639</u>
Lease assets	<u>9,621</u>	<u>303</u>	<u>(102)</u>	<u>9,822</u>
Less accumulated amortization for:				
Leased property	475	516	-	991
Leased equipment	<u>1,339</u>	<u>1,346</u>	<u>(102)</u>	<u>2,583</u>
Total accumulated amortization	<u>1,814</u>	<u>1,862</u>	<u>(102)</u>	<u>3,574</u>
Intangible right-to-use lease assets, net	<u>7,807</u>	<u>(1,559)</u>	<u>-</u>	<u>6,248</u>
Subscription IT assets	<u>21,067</u>	<u>9,716</u>	<u>-</u>	<u>30,783</u>
Less accumulated amortization for subscription IT assets	<u>-</u>	<u>4,232</u>	<u>-</u>	<u>4,232</u>
Intangible right-to-use subscription IT assets, net	<u>21,067</u>	<u>5,484</u>	<u>-</u>	<u>26,551</u>
Total capital assets, net	<u>\$200,165</u>	<u>\$ 27,486</u>	<u>\$ (26,788)</u>	<u>\$200,863</u>

Construction and equipment contracts of approximately \$23.6 exist for the renovation and construction of facilities and purchase of equipment. At September 30, 2023, the remaining commitment on these contracts approximated \$14.6 million.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

8. Long-Term Debt

A summary of long-term debt at September 30, 2023 and 2022, follows:

	<u>(Dollars In Thousands)</u>	
	<u>2023</u>	<u>2022</u>
Revenue Certificates - Series 2019A, Payable in annual installments ranging from \$1.62 million on October 1, 2023, to \$3.38 million on October 1, 2038, with interest rates from 4.00% to 5.00% paid semi-annually.	\$ 38,380	\$ 39,925
Revenue Certificates - Series 2019B, Payable in annual installments ranging from \$3.10 million on October 1, 2023, to \$9.09 million on October 1, 2041, with interest rates from 2.00% to 3.44% paid semi-annually.	88,305	91,315
Other financing obligations, with varying rates of interest, collateralized by equipment.	<u>2,560</u>	<u>4,008</u>
Total long-term debt	129,245	135,248
Less: current installments of long-term debt	<u>5,985</u>	<u>6,202</u>
Long-term debt excluding current installments	123,260	129,046
Unamortized net premium and discount	<u>7,400</u>	<u>8,312</u>
Long-term debt excluding current installments and unamortized net premium and discount	<u>\$ 130,660</u>	<u>\$ 137,358</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

8. Long-Term Debt, Continued

A schedule of changes in the Authority's long-term debt follows:

(Dollars In Thousands)					
	<u>2022</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue certificates	\$ 131,240	\$ -	\$ (4,555)	\$ 126,685	\$ 4,720
Other financing obligations	<u>4,008</u>	<u>-</u>	<u>(1,448)</u>	<u>2,560</u>	<u>1,265</u>
Total long-term debt	135,248	-	(6,003)	129,245	5,985
Unamortized net premium and discount	<u>8,312</u>	<u>-</u>	<u>(912)</u>	<u>7,400</u>	<u>-</u>
Long-term debt	<u>\$ 143,560</u>	<u>\$ -</u>	<u>\$ (6,915)</u>	<u>\$ 136,645</u>	<u>\$ 5,985</u>

(Dollars In Thousands)					
	<u>2021</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2022</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue certificates	\$ 135,650	\$ -	\$ (4,410)	\$ 131,240	\$ 4,555
Other financing obligations	<u>4,620</u>	<u>494</u>	<u>(1,106)</u>	<u>4,008</u>	<u>1,647</u>
Total long-term debt	140,270	494	(5,516)	135,248	6,202
Unamortized net premium and discount	<u>9,263</u>	<u>-</u>	<u>(951)</u>	<u>8,312</u>	<u>-</u>
Long-term debt	<u>\$ 149,533</u>	<u>\$ 494</u>	<u>\$ (6,467)</u>	<u>\$ 143,560</u>	<u>\$ 6,202</u>

Continued

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

8. Long-Term Debt, Continued

In August 2019, the Authority issued Refunding Revenue Certificates, Series 2019A and Series 2019B, in the amount of \$42.6 million and \$96.9 million, respectively. The Series 2019A Certificates were issued for the purpose of refunding the Series 2007, 2010, and 2010 Refunding Certificates. The Series 2019B Certificates were issued for the purpose of the advance refunding of the Series 2011B Certificates. Proceeds of the Series 2019A and 2019B Certificates were also used for related costs incidental to the financing, including costs of issuance. The purpose of the refunding was to take advantage of lower interest rates, reduce the Authority's overall cash flows related to outstanding debt, and obtain a debt service guarantee from the County. The transaction resulted in an economic gain of approximately \$29.3 million and reduced total debt service payments over the scheduled maturities by approximately \$59.3 million.

The Series 2007, 2010, and 2010 Refunding Certificates were refunded on August 28, 2019. On August 28, 2019, approximately \$151.8 million was deposited into an irrevocable escrow with the Bank of New York Mellon Trust Company, N.A. to purchase U.S. Government Obligations sufficient to pay principal and interest when due on the Series 2011B Certificates until their earliest date of optional redemption, October 1, 2021. As a result, the 2011B Certificates are considered to be defeased and the escrow assets and the liability for the Certificates have been removed from these financial statements. At September 30, 2023 and 2022, \$129.7 million and \$134.4 million of the defeased Certificates remain outstanding, respectively.

The Series 2019A and 2019B Certificates were issued pursuant to a Trust Indenture (Certificate Indenture), dated August 1, 2019, between the Authority and Regions Bank, Atlanta, Georgia (Trustee), as trustee. The Series 2019 Certificates are limited obligations of the Authority secured by the Trust Estate, which includes (i) all amounts on deposit from time-to-time in the funds created under the Certificate Indenture, (ii) all rights, title, and interest of the Authority in the Series 2019 Master Note (defined below), including all payments thereunder, and (iii) all rights, title and interest of the Authority in the intergovernmental contract, dated August 1, 2019 (Contract) between the Authority and Lowndes County (County), including all payments thereunder.

The Authority has issued a Master Note securing the Series 2019 Certificates (2019 Master Note). The Series 2019 Master Note is issued pursuant to a Master Trust Indenture, dated as of August 1, 2019, as supplemented by a Supplemental Master Trust Indenture No. 1, dated as of August 1, 2019 (collectively, the Master Indenture), each between the Authority, as the sole member of the Obligated Group, and Regions Bank, Atlanta Georgia, as master Trustee (Master Trustee). As security for the Series 2019 Master Note, the Obligated Group has created a first pledge of and lien on the gross revenues in favor of the Master Trustee. The Obligated Group may issue additional obligations from time-to-time under the Master Indenture, which obligations will be secured by a lien on the gross revenues that is on parity with the lien securing the Series 2019 Master Note.

Continued

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

8. Long-Term Debt, Continued

Pursuant to the Contract, the County is obligated to make payments, if necessary, in amounts sufficient to enable the Authority to provide for the payment of principal and interest on the Series 2019 Certificates as the same become due and payable at maturity or by proceedings for mandatory redemption. In order to assure such payments as to the Series 2019 Certificates, the County has agreed to levy annually an ad valorem tax, within the seven mill limitation specified in the Georgia Hospital Authorities Law or at such higher rate as may be allowed in the future.

As a result of the Series 2019A refunding the Series 2007, 2010, and 2010 Refunding Certificates, the Authority recognized a gain on defeasance of approximately \$575,000. The gain is included in the deferred inflows of resources on the Balance Sheet. The gain on bond defeasance is reported net of accumulated amortization expense and is amortized over 168 months, which is consistent with the remaining life of the new debt as it is shorter than the defeased debt. Amortization expense is reported in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

As a result of the Series 2019B advance refunding the Series 2011B Certificates, the Authority recognized a loss on defeasance of approximately \$10.1 million. The loss is included in the deferred outflows of resources on the Balance Sheet. The loss on bond defeasance is reported net of accumulated amortization expense and is amortized over 84 months, which is consistent with the remaining life of the defeased debt as it is shorter than the new debt. Amortization expense is reported in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

Under the terms of the Master Trust Indenture, the Authority is required to satisfy certain measures of financial performance. The Master Trust Indenture contains provisions that, if the Authority falls below such measures for any two consecutive years, then an event of default shall exist. As of September 30, 2023, the Authority is not considered in default in accordance with the provisions delineated in the Master Trust Indenture.

In 2019, the Authority entered into an agreement under which the Authority's facilities were renovated by a third-party at a cost of approximately \$2.5 million. Instead of repayment, the third-party is forgiving the cost of renovations monthly over the term of the contract. If the contract is terminated prior to the end of the term, the Authority will be required to pay the unforgiven balance. The Authority recognizes the forgiveness of the debt as contribution income, which is reported in other revenue on the Statement of Revenues, Expenses, and Changes in Net Position. The related depreciation expense of the renovated capital assets is recorded in depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

8. Long-Term Debt, Continued

The debt service requirements of long-term debt at September 30, 2023, are as follows:

	(Dollars In Thousands)			
	Revenue Certificates		Other Financing Obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,720	\$ 4,594	\$ 1,265	\$ 11
2025	4,890	4,421	204	1
2026	5,065	4,240	187	-
2027	5,250	4,053	187	-
2028	5,440	3,859	187	-
2029-2033	30,340	16,095	530	-
2034-2038	36,435	9,831	-	-
2039-2042	<u>34,545</u>	<u>2,438</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 126,685</u>	<u>\$ 49,531</u>	<u>\$ 2,560</u>	<u>\$ 12</u>

9. Leases and Subscription IT Liabilities

The Authority is a lessee for noncancellable lease assets. 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.

In 2023 and 2022, the Authority entered into lease agreements and other financing obligations under which the Authority leases various property and equipment. These agreements and obligations bear interest at rates ranging from 2.13% to 3.49%. The monthly lease payments end in FY 2030.

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

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Short-term lease expense	\$ 1,657	\$ 1,836
Right-to-use lease asset amortization	268	1,862
Lease liability interest expense	<u>142</u>	<u>227</u>
Total lease cost	<u>\$ 2,067</u>	<u>\$ 3,925</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

9. Leases and Subscription IT Liabilities, Continued

The Authority has subscription-based information technology arrangements (SBITAs) that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles.

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

	(Dollars In Thousands)	
	<u>2023</u>	<u>2022</u>
Short-term SBITA expense	\$ 8,800	\$ 9,368
Right-to-use subscription IT asset amortization	6,065	4,232
Subscription IT liability interest expense	<u>847</u>	<u>782</u>
Total subscription IT cost	<u>\$ 15,712</u>	<u>\$ 14,382</u>

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 IT liability.

A summary of leases and subscription IT liabilities at September 30, 2023 and 2022, follows:

	(Dollars In Thousands)	
	<u>2023</u>	Restated <u>2022</u>
Lease liabilities - Leases for property and equipment, with varying rates of interest	\$ 5,262	\$ 6,492
Subscription IT liabilities - Various software licenses and remote hosting arrangements, with varying rates of interest	<u>22,187</u>	<u>25,520</u>
Total lease and subscription IT liabilities	27,449	32,012
Less: current installments of lease and subscription IT liabilities	<u>7,246</u>	<u>7,076</u>
Lease and subscription IT liabilities, excluding current installments	<u>\$ 20,203</u>	<u>\$ 24,936</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

9. Leases and Subscription IT Liabilities, Continued

A schedule of changes in the Authority's leases and subscription IT liabilities follows:

	(Dollars In Thousands)				
	Restated 2022 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	2023 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Lease liabilities	\$ 6,492	\$ -	\$ (1,230)	\$ 5,262	\$ 1,288
Subscription IT liabilities	<u>25,520</u>	<u>2,285</u>	<u>(5,618)</u>	<u>22,187</u>	<u>5,958</u>
Total lease and subscription IT liabilities	<u>\$ 32,012</u>	<u>\$ 2,285</u>	<u>\$ (6,848)</u>	<u>\$ 27,449</u>	<u>\$ 7,246</u>

	(Dollars In Thousands)				
	Restated 2021 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Restated 2022 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Lease liabilities	\$ 7,933	\$ 301	\$ (1,742)	\$ 6,492	\$ 1,694
Subscription IT liabilities	<u>21,067</u>	<u>7,235</u>	<u>(2,782)</u>	<u>25,520</u>	<u>5,382</u>
Total lease and subscription IT liabilities	<u>\$ 29,000</u>	<u>\$ 7,536</u>	<u>\$ (4,524)</u>	<u>\$ 32,012</u>	<u>\$ 7,076</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

9. Leases and Subscription IT Liabilities, Continued

The debt service requirements of leases and subscription IT liabilities at September 30, 2023, are as follows:

	<u>Lease Liabilities</u>		<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,288	\$ 136	\$ 5,958	\$ 748
2025	788	105	3,235	527
2026	727	82	2,354	403
2027	659	60	1,792	322
2028	616	40	1,856	263
2029-2033	<u>1,184</u>	<u>23</u>	<u>6,992</u>	<u>454</u>
Total	<u>\$ 5,262</u>	<u>\$ 446</u>	<u>\$ 22,187</u>	<u>\$ 2,717</u>

10. Goodwill

Goodwill consists of the following:

	<u>(Dollars In Thousands)</u>				
	<u>Balance 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance 2023</u>
Purchase of Berrien County Hospital	\$ 912	\$ -	\$ -	\$ (143)	\$ 769
Purchase of Physician Practices	<u>326</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>288</u>
Total goodwill	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (181)</u>	<u>\$ 1,057</u>
	<u>Balance 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance 2022</u>
Purchase of Berrien County Hospital	\$ 1,055	\$ -	\$ -	\$ (143)	\$ 912
Purchase of Physician Practices	<u>363</u>	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>326</u>
Total goodwill	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (180)</u>	<u>\$ 1,238</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

10. Goodwill, Continued

Pursuant to the implementation of GASB No. 69, the Authority reclassified goodwill from other assets to deferred outflows of resources and established an attribution or amortization period for each component of goodwill. Because a substantial portion of the acquisition consisted of capital assets, the Authority determined the amortization period based upon an estimate of the remaining useful lives of the capital assets as of the date of implementation of GASB No. 69. The amount amortized in 2023 and 2022 is reported in depreciation and amortization on the Statement of Revenues, Expenses, and Changes in Net Position.

11. Related Party Transactions

Because of the existence of common trustees and other factors, the Authority, South Georgia Medical Center Foundation, Inc. (Foundation), and South Georgia Health Alliance, Inc. (Alliance) are related parties.

The Foundation is authorized by SGMC to solicit contributions on its behalf. In its general appeal for contributions to support the community's providers of healthcare services, the Foundation also solicits contributions for certain other related healthcare institutions. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of its distributions. Effective July 1, 2022, the Foundation changed fiscal year ends from June 30 to December 31. During the years ended September 30, 2023 and 2022, SGMC provided workspace, utilities, and certain personnel free of charge to the Foundation.

The Alliance operates the not-for-profit entities of the Hospice of South Georgia, an organization providing supportive care for terminally ill patients and their families, Langdale Place, a residential care facility, and The Tree House, a consignment store. All funds raised in excess of operating needs are designated by the Alliance Board for healthcare purposes.

In addition to the above, included in other receivables on the balance sheet are related party receivables in the amounts of \$5.5 million and \$6.0 million for fiscal years 2023 and 2022, respectively. These amounts due are related to purchased goods and services on behalf of the related parties.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

11. Related Party Transactions, Continued

Summarized financial information from the financial statements of the related parties follows:

South Georgia Medical Center Foundation, Inc. (Income Tax Basis of Accounting)

	(Dollars In Thousands)	
	(Audited) <u>December 31, 2022</u>	(Audited) <u>June 30, 2022</u>
Assets, principally cash and investments	\$ 5,490	\$ 4,273
Liabilities, accounts payable, due to related party, and deferred revenue	\$ 2	\$ 332
Net assets:		
Without donor restrictions	2,048	1,999
With donor restrictions	3,440	1,942
Total net assets	5,488	3,941
Total liabilities and net assets	\$ 5,490	\$ 4,273
Support and revenue	\$ 2,126	\$ 836
Expenses:		
Administrative and other expenses	366	449
Charitable disbursements	213	390
Total expenses	579	839
Change in net assets	1,547	(3)
Net assets, beginning	3,941	3,944
Net assets, ending	\$ 5,488	\$ 3,941

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

11. Related Party Transactions, Continued

South Georgia Health Alliance, Inc.

	(Dollars In Thousands)	
	(Unaudited) September 30, 2023	(Audited) September 30, 2022
Current assets	\$ 3,708	\$ 4,045
Property and equipment, net	<u>2,558</u>	<u>2,728</u>
Total assets	<u>\$ 6,266</u>	<u>\$ 6,773</u>
Current liabilities	\$ 485	\$ 542
Due to related parties	5,522	5,977
Long-term liabilities	162	191
Net assets	<u>97</u>	<u>63</u>
Total liabilities and net assets	<u>\$ 6,266</u>	<u>\$ 6,773</u>
Revenues and gains	\$ 11,508	\$ 11,635
Expenses	<u>(11,474)</u>	<u>(11,813)</u>
Change in net assets	34	(178)
Net assets, beginning	<u>63</u>	<u>241</u>
Net assets, ending	<u>\$ 97</u>	<u>\$ 63</u>

Authority's matching contributions occurs in 20% increments over five years of service. Administrative expenses for the above plans are borne by the participants.

Continued

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

12. Retirement Plans

The Authority has a defined contribution plan under Section 401(k) of the Internal Revenue Code (IRC), South Georgia Medical Center Money Purchase Retirement Plan, which allows employees to defer income taxes on a portion of their earnings. The Authority has no liability for investment losses incurred by the Plan. The assets of the Plan are in the individual participant's name and are not subject to claims by creditors of the Authority. In 2004, the Authority created an additional deferred compensation plan structured similarly to the 401(k) plan. This plan, South Georgia Medical Center 457 Plan, was established under IRC Section 457(b). Total participant contributions to the 401(k) and 457(b) plans were approximately \$7.8 million and \$8.7 million in 2023 and 2022, respectively. Total contributions by the Authority on behalf of the participants were approximately \$1.9 million and \$1.7 million in 2023 and 2022, respectively. The Authority makes a matching contribution equal to 50% of a participant's elective deferrals, not to exceed 2% of a participant's compensation. Participants are vested immediately in their contributions plus actual earnings (losses) thereon. Vesting in the Authority's matching contributions occurs in 20% increments over five years of service. Administrative expenses for the above plans are borne by the participants.

The Authority also has a single employer-defined benefit pension plan, South Georgia Medical Center Retirement Plan (Plan), covering substantially all of its employees. The Authority's trustees have the authority to establish and amend benefit provisions. For more information on the Plan, contact South Georgia Medical Center's administration.

The Plan provides retirement, death, and disability benefits. Retirement benefits are calculated as 1% of high five-year average monthly compensation per year of service at normal retirement date, plus 0.65% of high five-year average monthly compensation in excess of the integration level for each year of service not to exceed 40 years. For service prior to January 1, 1974, one-third of those years of service are credited for benefit accrual. The integration level for years of service prior to December 31, 2003, is \$500; for years of service after December 31, 2003, the integration level is monthly social security-covered compensation for a person who has attained age 65. The normal retirement date falls on the first of the month coincident with or following the attainment of social security retirement age.

Effective April 15, 2009, the accrued retirement benefit of participants was frozen at the level earned as of that date. No otherwise eligible employee who had not already reached his entry date and entered the Plan on or before April 15, 2009, shall enter and participate in the Plan after such date.

In the event a participant becomes totally and permanently disabled as determined by the Social Security Administration, they are entitled to receive the benefit provided by the present value of their accrued benefit. The pre-retirement death benefits are the greater of the present value of the vested accrued benefit and \$1,000 for each \$20 of projected monthly retirement benefit. However, the death benefit for a participant employed beyond their normal retirement date is the present value of their accrued benefit.

All contributions are made by the Authority based on the minimum recommended contribution determined by an actuarial valuation each year. The Authority is providing for the cost of this Plan as benefits are accrued based upon actuarial determinations employing the entry-age normal actuarial cost method. Contributions are intended to provide for benefits attributed to service earned through the effective date of the freeze of Plan benefits.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

	(Dollars in Thousands)	
	<u>2023</u>	<u>2022</u>
Actuarially determined contribution	\$ -	\$ 667
Contributions made in relation to the actuarially determined contribution	<u>625</u>	<u>875</u>
Contribution deficiency (excess)	<u>\$ (625)</u>	<u>\$ (208)</u>
Covered payroll	N/A	N/A
Contributions as a percentage of payroll	N/A	N/A

The actuarial valuation of the Plan was performed as of January 1, 2023 and 2022, and the measurement date of the net pension liability is as of January 1, 2023 and 2022.

Participant Data

The following is a summary of Plan participants at January 1, 2023 and 2022.

	January 1, <u>2023</u>	January 1, <u>2022</u>
Active participants	323	369
Inactives with deferred benefits	288	282
Inactives receiving payment	<u>461</u>	<u>460</u>
Total participants	<u><u>1,072</u></u>	<u><u>1,111</u></u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

Assumptions and Other Inputs

The Authority's net pension liability was measured as of January 1, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023 and 2022.

The following summarizes the significant assumptions used in the valuation:

	<u>2023</u>	<u>2022</u>
• Inflation	2.50%	2.50%
• Salary increase	N/A	N/A
• Expected rate of return	7.50%	7.50%
• Mortality table	Pri-2012	Pri-2012
• Discount rate	7.50%	7.50%

The long-term expected rate of return on Plan investments was determined based on the Authority's expectation of best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of rates of return of each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Fixed income	40.00%	3.0% - 5.0%
Equities	55.00%	5.0% - 9.0%
Alternatives	5.00%	6.0% - 12.0%

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the employer will be made in an amount equal to the actuarially recommended contribution based on funding the unfunded liability over a 10-year period. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

Changes in Net Pension Liability (Asset)

The following table presents the changes in the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability (Asset) for the years ended September 30, 2023 and 2022:

	(Dollars in Thousands)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance recognized at September 30, 2022	\$ 76,921	\$ 88,610	\$ (11,689)
Changes recognized for the fiscal year:			
Service cost	121	-	121
Interest cost	5,504	-	5,504
Differences between expected and actual experience	236	-	236
Changes in assumptions	-	-	-
Contributions from the employer	-	625	(625)
Net investment income	-	(12,414)	12,414
Benefit payments	(7,457)	(7,457)	-
Administrative expense	-	(56)	56
Net changes	<u>(1,596)</u>	<u>(19,302)</u>	<u>17,706</u>
Balance recognized at September 30, 2023	<u>\$ 75,325</u>	<u>\$ 69,308</u>	<u>\$ 6,017</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

Changes in Net Pension Liability (Asset), Continued

	(Dollars in Thousands)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance recognized at September 30, 2021	\$ 77,220	\$ 81,378	\$ (4,158)
Changes recognized for the fiscal year:			
Service cost	156	-	156
Interest cost	5,552	-	5,552
Differences between expected and actual experience	657	-	657
Changes in assumptions	169	-	169
Contributions from the employer	-	875	(875)
Net investment income	-	13,245	(13,245)
Benefit payments	(6,833)	(6,833)	-
Administrative expense	-	(55)	55
Net changes	<u>(299)</u>	<u>7,232</u>	<u>(7,531)</u>
Balance recognized at September 30, 2022	<u>\$ 76,921</u>	<u>\$ 88,610</u>	<u>\$ (11,689)</u>

- *Changes in assumptions:* In 2022, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, healthy annuitants, and contingent survivors with mortality improvement projected using Scale MP-2021 on a fully generational basis.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability (Asset) for fiscal years ended September 30, 2023 and 2022:

	<u>2023 (Dollars in Thousands)</u>		
	1% Decrease <u>6.50%</u>	Current Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net pension liability (asset)	<u>\$ 11,262</u>	<u>\$ 6,017</u>	<u>\$ 1,394</u>
	<u>2022 (Dollars in Thousands)</u>		
	1% Decrease <u>6.50%</u>	Current Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net pension liability (asset)	<u>\$ (6,166)</u>	<u>\$ (11,689)</u>	<u>\$ (16,547)</u>

Pension expense recognized during 2023 and 2022 totaled \$2.4 million and \$(1.9) million, respectively.

The following table presents components of deferred inflows and deferred outflows of resources for the years ended September 30, 2023 and 2022:

	<u>(Dollars In Thousands)</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net difference between projected and actual earnings on Plan investments	\$ 7,243	\$ -	\$ -	\$ 10,094
Differences between expected and actual experience	1,080	10	2,407	32
Changes in assumptions	<u>284</u>	<u>485</u>	<u>921</u>	<u>972</u>
Amounts to be recognized in pension expense	8,607	495	3,328	11,098
Contributions made subsequent to measurement date	<u>-</u>	<u>-</u>	<u>625</u>	<u>-</u>
Total	<u>\$ 8,607</u>	<u>\$ 495</u>	<u>\$ 3,953</u>	<u>\$ 11,098</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	(Dollars in Thousands)		
	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Net</u>
2024	\$ (417)	\$ 866	\$ 449
2025	(78)	1,690	1,612
2026	-	2,289	2,289
2027	-	3,762	3,762
2028	-	-	-
Total	<u>\$ (495)</u>	<u>\$ 8,607</u>	<u>\$ 8,112</u>

GASB No. 68 requires a schedule of changes in net pension liability and related ratios and a schedule of pension contributions for each of the last ten years to be presented as required supplementary information.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

Investments Included in Fiduciary Net Position

The Plan has the following recurring fair value measurements as of September 30, 2023 and 2022:

September 30, 2023 (December 31, 2022 measurement date)	(Dollars in Thousands) Fair Value Measurements at Reporting Date			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 40,337	\$ 40,337	\$ -	\$ -
Foreign stock	<u>7,398</u>	<u>7,398</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>47,735</u>	<u>47,735</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	5,499	-	5,499	-
Mortgage-backed securities	672	-	672	-
Collateralized mortgage obligations	1,599	-	1,599	-
Corporate bonds	<u>5,712</u>	<u>-</u>	<u>5,712</u>	<u>-</u>
Total debt securities	<u>13,482</u>	<u>-</u>	<u>13,482</u>	<u>-</u>
Mutual funds – fixed income	<u>5,081</u>	<u>5,081</u>	<u>-</u>	<u>-</u>
Money market funds	<u>1,634</u>	<u>1,634</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>1,376</u>	<u>1,376</u>	<u>-</u>	<u>-</u>
Total investments	<u>69,308</u>	<u>\$ 55,826</u>	<u>\$ 13,482</u>	<u>\$ -</u>
Plan fiduciary net position	<u>\$ 69,308</u>			

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

12. Retirement Plans, Continued

Investments Included in Fiduciary Net Position, Continued

September 30, 2022 (December 31, 2021 measurement date)	(Dollars in Thousands) Fair Value Measurements at Reporting Date			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 48,360	\$ 48,360	\$ -	\$ -
Foreign stock	<u>8,549</u>	<u>8,549</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>56,909</u>	<u>56,909</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	6,510	-	6,510	-
Mortgage-backed securities	907	-	907	-
Collateralized mortgage obligations	2,019	-	2,019	-
Corporate bonds	<u>5,341</u>	<u>-</u>	<u>5,341</u>	<u>-</u>
Total debt securities	<u>14,777</u>	<u>-</u>	<u>14,777</u>	<u>-</u>
Mutual funds – fixed income	<u>13,101</u>	<u>13,101</u>	<u>-</u>	<u>-</u>
Money market funds	<u>2,145</u>	<u>2,145</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>1,678</u>	<u>1,678</u>	<u>-</u>	<u>-</u>
Total investments	<u>88,610</u>	<u>\$ 73,833</u>	<u>\$ 14,777</u>	<u>\$ -</u>
Plan fiduciary net position	<u>\$ 88,610</u>			

Equity securities, mutual funds, money market funds, and real estate investment trusts valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Debt securities valued using Level 2 inputs are based on a confluence of model drive analysis, matrix pricing, as well as actual trade and market color.

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

13. Commitments and Contingencies

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, 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.

Litigation

The Authority is involved in litigation and regulatory investigations arising in the course of business. After consulting 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 15.

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 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.

14. Employee Health Plan

The Authority has a self-insurance program under which a third-party administrator processes and pays claims. The Authority reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$500,000 for each individual employee. In addition, the Authority has entered into a loss financing agreement with other Georgia hospitals through a program developed by Georgia ADS, LLC. The program is designed to provide for the financing and payment of covered claims between \$150,000 and \$500,000. Payments received from the program must be repaid over a specified period of time with interest. Under this self-insurance program, \$22.0 million and \$19.6 million were paid or accrued and expensed during the years ended September 30, 2023 and 2022, respectively.

Continued

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

15. Professional Liability Claims

The Authority has purchased commercial insurance to cover professional or general liability claims. The policy is written on a claims-made basis with a self-insured retention amount of \$2.5 million per claim, \$7 million aggregate for fiscal years 2023 and 2022. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The Authority also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. The Authority has designated assets to be used for liabilities resulting from claims for which the Authority may ultimately be responsible. Accrued professional claims are included in the financial statements and in management's opinion provide an adequate reserve for loss contingencies.

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. In the opinion of management, adequate provision has been made for losses, which may occur from such asserted and unasserted claims that are not covered by liability insurance as of September 30, 2023.

16. 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:* The carrying amount reported in the balance sheet for cash and cash equivalents approximate its fair value due to the short-term nature of these instruments.
- *Short-term investments:* These assets consist primarily of cash and cash equivalents, equity securities, and mutual funds. The carrying amount reported in the balance sheet for short-term investments approximate fair value. See Note 5 for fair value measurement disclosures.
- *Noncurrent cash and investments:* These assets consist primarily of cash, equity securities, mutual funds, money market funds, real estate investment trusts, corporate bonds, mortgage-backed securities, collateralized mortgage obligations, and U.S. government obligations. The carrying amount reported on the balance sheet for noncurrent cash and investments approximates its fair value. See Note 5 for fair value measurement disclosures.
- *Accounts payable, accrued expenses, and estimated third-party payor settlements:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

16. Fair Values of Financial Instruments, Continued

- *Long-term debt:* Fair values of the revenue notes are based on current traded value. The fair value of the Authority's other long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements. Level 2 inputs are used in determining this valuation.

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

	(Dollars In Thousands)			
	<u>2023</u>		<u>2022</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 136,645	\$ 125,654	\$ 143,560	\$ 134,601

17. Concentration of Credit Risk

The Authority grants credit without collateral to patients substantially all of whom are local residents of Lowndes County or the immediate surrounding counties of Georgia and Florida and are insured under third-party payor agreements. A significant portion of the net receivables are from patients covered by various government programs such as Medicare or Medicaid. The mix of net receivables from patients and third-party payors was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	39%	50%
Medicaid	9%	12%
Blue Cross	19%	24%
Other third-party payors	28%	10%
Patients	5%	4%
Total	<u>100%</u>	<u>100%</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

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

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. Berrien and Lanier submitted the necessary documentation and were approved by the State to participate in the rural hospital tax credit program effective for calendar years 2023 and 2022. Contributions received under the program approximated \$2.6 million and \$3.8 million during the Authority's fiscal years 2023 and 2022, respectively. These amounts are reported in nonoperating revenue (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position.

19. Coronavirus (COVID-19)

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

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds on April 10, 2020, to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to healthcare providers for 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 \$3.0 and \$4.5 in grant stimulus funding in fiscal years 2023 and 2022, respectively. The Authority recognized approximately \$0.0 million and \$5.7 million in grant stimulus funding in fiscal years 2023 and 2022, respectively. Government stimulus funding may be subject to audits. While the Authority currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

Continued

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

19. Coronavirus (COVID-19), Continued

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment. After that first year, Medicare will automatically recoup 25% of Medicare payments otherwise owed to the Authority for 11 months. At the end of the 11-month period, recoupment will increase to 50% for another six months. If the total amount of advance payment has not been recouped during this time period (a total of 29 months), CMS will issue a letter requiring repayment of any outstanding balance, subject to an interest rate of 4%. In April 2020, the Authority received approximately \$37.8 million in advanced payments. As of September 30, 2022, the entire advance has been recouped by Medicare.

20. Subsequent Event

Effective November 1, 2023, the Authority transferred its assets, liabilities, and operations to South Georgia Medical Center, Inc. (SGMC, Inc.), a 501(c)(3) nonprofit organization, through a lease and transfer agreement. The board members of SGMC, Inc. (d/b/a SGMC Health) are the same board members of the Authority.

On November 2, 2023, CMS issued a final rule outlining the remedy for invalidated OPPS 340B-acquired drug payment policy for calendar years 2018 through 2022. This lump sum remedy is in response to the U.S. Supreme Court's ruling that differential payment rates applied by CMS for 340B-acquired drugs were unlawful. The Authority anticipates receiving a lump sum remedy payment of approximately \$6.4 million in FY 2024.

REQUIRED SUPPLEMENTARY INFORMATION

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS (In Thousands)

September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:										
Service cost	\$ 121	\$ 156	\$ 134	\$ 151	\$ 177	\$ 203	\$ 238	\$ 322	\$ 377	\$ 638
Interest cost	5,504	5,552	5,610	5,724	5,692	5,704	5,807	5,935	5,520	5,346
Differences between expected and actual experience	236	657	836	(2)	1,459	977	1,250	(184)	1,665	2,956
Changes in assumptions	-	169	(607)	(612)	(130)	(363)	(1,671)	(546)	4,273	2,546
Benefit payments	<u>(7,457)</u>	<u>(6,833)</u>	<u>(6,718)</u>	<u>(6,926)</u>	<u>(6,565)</u>	<u>(6,762)</u>	<u>(7,137)</u>	<u>(7,174)</u>	<u>(5,968)</u>	<u>(8,531)</u>
Net change in total pension liability	(1,596)	(299)	(745)	(1,665)	633	(241)	(1,513)	(1,647)	5,867	2,955
Total pension liability (beginning)	<u>76,921</u>	<u>77,220</u>	<u>77,965</u>	<u>79,630</u>	<u>78,997</u>	<u>79,238</u>	<u>80,751</u>	<u>82,398</u>	<u>76,531</u>	<u>73,576</u>
Total pension liability (ending)	<u>75,325</u>	<u>76,921</u>	<u>77,220</u>	<u>77,965</u>	<u>79,630</u>	<u>78,997</u>	<u>79,238</u>	<u>80,751</u>	<u>82,398</u>	<u>76,531</u>
Plan fiduciary net position:										
Contributions - employer	625	875	1,168	1,719	1,849	2,375	3,012	3,055	2,472	2,582
Net investment income (loss)	(12,414)	13,245	9,379	14,335	(3,491)	10,511	5,679	(711)	4,221	9,102
Benefit payments	(7,457)	(6,833)	(6,718)	(6,926)	(6,565)	(6,762)	(7,137)	(7,174)	(5,968)	(8,531)
Administrative expense	<u>(56)</u>	<u>(55)</u>	<u>(39)</u>	<u>(42)</u>	<u>(59)</u>	<u>(43)</u>	<u>(154)</u>	<u>(210)</u>	<u>(251)</u>	<u>(184)</u>
Net changes in plan fiduciary net position	(19,302)	7,232	3,790	9,086	(8,266)	6,081	1,400	(5,040)	474	2,969
Plan fiduciary net position, beginning	<u>88,610</u>	<u>81,378</u>	<u>77,588</u>	<u>68,502</u>	<u>76,768</u>	<u>70,687</u>	<u>69,287</u>	<u>74,327</u>	<u>73,853</u>	<u>70,884</u>
Plan fiduciary net position, ending	<u>69,308</u>	<u>88,610</u>	<u>81,378</u>	<u>77,588</u>	<u>68,502</u>	<u>76,768</u>	<u>70,687</u>	<u>69,287</u>	<u>74,327</u>	<u>73,853</u>
Net pension liability (asset), ending	<u>\$ 6,017</u>	<u>\$ (11,689)</u>	<u>\$ (4,158)</u>	<u>\$ 377</u>	<u>\$ 11,128</u>	<u>\$ 2,229</u>	<u>\$ 8,551</u>	<u>\$ 11,464</u>	<u>\$ 8,071</u>	<u>\$ 2,678</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF CHANGES IN NET PENSION
 LIABILITY AND RELATED RATIOS (In Thousands), Continued
 September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net position as a percentage of pension liability	<u>92.01%</u>	<u>115.20%</u>	<u>105.38%</u>	<u>99.52%</u>	<u>86.03%</u>	<u>97.18%</u>	<u>89.21%</u>	<u>85.80%</u>	<u>90.20%</u>	<u>96.50%</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS (In Thousands), Continued
September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

- *Changes in assumptions:* In 2022, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, health annuitants, and contingent survivors with mortality improvement projected using Scale MP-2021 on a fully generational basis. In 2021, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, health annuitants, and contingent survivors with mortality improvement projected using Scale MP-2020 on a fully generational basis. In 2020, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees and healthy annuitants, with mortality improvements projected using Scale MP-2019 on a fully generational basis and after a review of the Plan's demographics and industry. In 2019, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2018 mortality improvement scale on a generational basis. In 2018, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2017 mortality improvement scale on a generational basis. In 2017, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the scale MP-2016 mortality improvement scale on a generational basis. In 2016, amounts reported as changes in assumptions resulted primarily from the change in turnover assumption. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2014 Mortality Table for Annuitants and Non-Annuitants for purposes of developing mortality rates.
- *Changes of benefit terms:* In 2014, amounts reported as changes of benefit terms resulted primarily from the additional benefits payable under the Early Retirement Window and the related change in assumptions.

See independent auditor's report.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF PENSION CONTRIBUTIONS (In Thousands)
 September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ -	\$ 667	\$ 1,168	\$ 1,719	\$ 1,849	\$ 2,375	\$ 3,012	\$ 3,055	\$ 2,671	\$ 2,384
Contributions made in relation to the actuarially determined contribution	<u>625</u>	<u>875</u>	<u>1,168</u>	<u>1,719</u>	<u>1,849</u>	<u>2,375</u>	<u>3,012</u>	<u>3,055</u>	<u>2,671</u>	<u>2,384</u>
Contribution deficiency (excess)	<u>\$ (625)</u>	<u>\$ (208)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF PENSION CONTRIBUTIONS (In Thousands), Continued
September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Asset valuation method: Market Value
- Salary increases: N/A - plan is frozen
- Investment rate of return: 7.50% per year, compounded annually
- Retirement age varies by age and service.
- Prior to January 1, 2015, mortality rates were based on the RP-2000 Combined Mortality Table. As of January 1, 2015, mortality rates were based on the RP-2014 Mortality Table for Annuitants and Non-Annuitants, fully generational with projected mortality improvements using Scale MP-2014, with blue collar adjustment. As of January 1, 2017, mortality rates were based on the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2016 mortality improvement scale on a generational basis. As of January 1, 2018, mortality rates were based on the sex-distinct Blue Collar 2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2017 mortality improvement scale on a generational basis. As of January 1, 2019, mortality rates were based on the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2018 mortality improvement scale on a generational basis. As of January 1, 2020, mortality rates were based on the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees and healthy annuitants, with mortality improvements projected using Scale MP-2019 on a fully generational basis. As of January 1, 2021, mortality rates were based on the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, healthy annuitants, and contingent survivors with mortality improvement projected using Scale MP-2020 on a fully generational basis. As of January 1, 2022 and 2023, mortality rates were based on the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, healthy annuitants, and contingent survivors with mortality improvement projected using Scale MP-2021 on a fully generational basis. This assumption was based on a review of published mortality tables and the demographics and the industry of the Plan.

See independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON FACILITY INFORMATION

The Board of Trustees
Hospital Authority of Valdosta
and Lowndes County, Georgia
Valdosta, Georgia

We have audited the financial statements of the Hospital Authority of Valdosta and Lowndes County, Georgia (Authority) as of and for the years ended September 30, 2023 and 2022, and our report thereon dated December 18, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information included in this report on pages 71 through 76, is presented for purposes of additional analysis of the financial statements rather than to present the balance sheet and statement of revenues and expenses of the individual facilities and is not a required part of the financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual facilities.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Draffin & Tucker, LLP

Albany, Georgia
December 18, 2023

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands)
September 30, 2023

	South Georgia Medical Center	SGMC - Berrien Campus	SGMC - Lanier Campus	SGMC Physician Network	Intercompany Eliminations	Total
Current assets:						
Cash and cash equivalents	\$ 6,741	\$ 8,811	\$ 3,503	\$ 2,861	\$ -	\$ 21,916
Short-term investments	10,823	-	-	-	-	10,823
Net patient accounts receivable	36,242	3,390	1,352	1,950	-	42,934
Other receivables	11,570	-	-	356	-	11,926
Supplies (first-in, first-out)	12,929	144	153	-	-	13,226
Estimated third-party payor settlements	692	-	-	-	-	692
Other current assets	4,860	-	-	415	-	5,275
Total current assets	<u>83,857</u>	<u>12,345</u>	<u>5,008</u>	<u>5,582</u>	<u>-</u>	<u>106,792</u>
Noncurrent cash and investments	<u>210,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,949</u>
Capital assets, net	<u>182,177</u>	<u>2,838</u>	<u>10,473</u>	<u>-</u>	<u>-</u>	<u>195,488</u>
Other assets	<u>2,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,127</u>
Intercompany receivables	<u>73,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,984)</u>	<u>-</u>
Total assets	553,094	15,183	15,481	5,582	(73,984)	515,356
Deferred outflows of resources	<u>13,238</u>	<u>769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,007</u>
Total assets and deferred outflows of resources	<u>\$ 566,332</u>	<u>\$ 15,952</u>	<u>\$ 15,481</u>	<u>\$ 5,582</u>	<u>\$ (73,984)</u>	<u>\$ 529,363</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands), Continued
September 30, 2023

	South Georgia Medical Center	SGMC - Berrien Campus	SGMC - Lanier Campus	SGMC Physician Network	Intercompany Eliminations	Total
Current liabilities:						
Current maturities of long-term debt	\$ 5,985	\$ -	\$ -	\$ -	\$ -	\$ 5,985
Current maturities of lease and subscription IT liabilities	7,246	-	-	-	-	7,246
Accounts payable	23,034	23	7	3,159	-	26,223
Accrued expenses	36,509	-	-	-	-	36,509
Estimated third-party payor settlements	<u>3,229</u>	<u>352</u>	<u>(1,587)</u>	<u>-</u>	<u>-</u>	<u>1,994</u>
Total current liabilities	76,003	375	(1,580)	3,159	-	77,957
Long-term debt, excluding current maturities	130,660	-	-	-	-	130,660
Lease and subscription IT liabilities, excluding current maturities	20,203	-	-	-	-	20,203
Net pension liability	6,017	-	-	-	-	6,017
Intercompany payables	<u>-</u>	<u>18,217</u>	<u>19,220</u>	<u>36,547</u>	<u>(73,984)</u>	<u>-</u>
Total liabilities	<u>232,883</u>	<u>18,592</u>	<u>17,640</u>	<u>39,706</u>	<u>(73,984)</u>	<u>234,837</u>
Deferred inflows of resources	<u>906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>906</u>
Net position	<u>332,543</u>	<u>(2,640)</u>	<u>(2,159)</u>	<u>(34,124)</u>	<u>-</u>	<u>293,620</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 566,332</u>	<u>\$ 15,952</u>	<u>\$ 15,481</u>	<u>\$ 5,582</u>	<u>\$ (73,984)</u>	<u>\$ 529,363</u>

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands)
September 30, 2022

	South Georgia Medical Center	SGMC - Berrien Campus	SGMC - Lanier Campus	SGMC Physician Network	Intercompany Eliminations	Total
Current assets:						
Cash and cash equivalents	\$ 997	\$ 6,598	\$ 2,473	\$ 2,054	\$ -	\$ 12,122
Short-term investments	12,606	-	-	-	-	12,606
Net patient accounts receivable	29,458	4,418	1,797	2,095	-	37,768
Other receivables	9,679	-	7	328	-	10,014
Supplies (first-in, first-out)	11,569	112	145	-	-	11,826
Estimated third-party payor settlements	1,238	-	-	-	-	1,238
Other current assets	4,566	-	-	461	-	5,027
Total current assets	<u>70,113</u>	<u>11,128</u>	<u>4,422</u>	<u>4,938</u>	<u>-</u>	<u>90,601</u>
Noncurrent cash and investments	<u>198,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,036</u>
Capital assets, net	<u>187,934</u>	<u>1,924</u>	<u>11,005</u>	<u>-</u>	<u>-</u>	<u>200,863</u>
Other assets	<u>14,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,065</u>
Intercompany receivables	<u>51,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,621)</u>	<u>-</u>
Total assets	521,769	13,052	15,427	4,938	(51,621)	503,565
Deferred outflows of resources	<u>10,069</u>	<u>912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,981</u>
Total assets and deferred outflows of resources	<u>\$ 531,838</u>	<u>\$ 13,964</u>	<u>\$ 15,427</u>	<u>\$ 4,938</u>	<u>\$ (51,621)</u>	<u>\$ 514,546</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands), Continued
September 30, 2022

	South Georgia Medical Center	SGMC - Berrien Campus	SGMC - Lanier Campus	SGMC Physician Network	Intercompany Eliminations	Total
Current liabilities:						
Current maturities of long-term debt	\$ 6,202	\$ -	\$ -	\$ -	\$ -	\$ 6,202
Current maturities of lease and subscription IT liabilities	7,076	-	-	-	-	7,076
Accounts payable	20,231	11	7	2,948	-	23,197
Accrued expenses	40,292	-	-	-	-	40,292
Estimated third-party payor settlements	2,401	321	(679)	-	-	2,043
Total current liabilities	76,202	332	(672)	2,948	-	78,810
Long-term debt, excluding current maturities	137,358	-	-	-	-	137,358
Lease and subscription IT liabilities, excluding current maturities	24,936	-	-	-	-	24,936
Intercompany payables	-	16,179	17,187	18,255	(51,621)	-
Total liabilities	238,496	16,511	16,515	21,203	(51,621)	241,104
Deferred inflows of resources	11,550	-	-	-	-	11,550
Net position	281,792	(2,547)	(1,088)	(16,265)	-	261,892
Total liabilities, deferred inflows of resources, and net position	\$ 531,838	\$ 13,964	\$ 15,427	\$ 4,938	\$ (51,621)	\$ 514,546

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENT OF REVENUES AND EXPENSES - INDIVIDUAL FACILITIES (In Thousands)
September 30, 2023

	South Georgia Medical Center	SGMC - Berrien Campus	SGMC - Lanier Campus	SGMC Physician Network	Intercompany Eliminations	Total
Operating revenues:						
Net patient service revenue, net of provision for bad debts of \$43,169	\$ 418,479	\$ 7,779	\$ 16,421	\$ 29,869	\$ -	\$ 472,548
Other revenue	16,546	-	802	40	(3,975)	13,413
Total operating revenues	<u>435,025</u>	<u>7,779</u>	<u>17,223</u>	<u>29,909</u>	<u>(3,975)</u>	<u>485,961</u>
Operating expenses:						
Salaries and benefits	186,877	6,284	11,444	36,666	-	241,271
Supplies	100,904	1,008	1,995	1,598	-	105,505
Services	45,379	1,177	3,152	639	-	50,347
Depreciation and amortization	24,377	431	684	-	-	25,492
Medical and professional fees	37,755	1,155	1,392	7,418	(3,975)	43,745
Other expenses	11,943	267	648	1,214	-	14,072
Total operating expenses	<u>407,235</u>	<u>10,322</u>	<u>19,315</u>	<u>47,535</u>	<u>(3,975)</u>	<u>480,432</u>
Operating income (loss)	27,790	(2,543)	(2,092)	(17,626)	-	5,529
Nonoperating revenue (expenses)	<u>23,416</u>	<u>2,088</u>	<u>479</u>	<u>(234)</u>	<u>-</u>	<u>25,749</u>
Excess revenues (expenses)	<u>\$ 51,206</u>	<u>\$ (455)</u>	<u>\$ (1,613)</u>	<u>\$ (17,860)</u>	<u>\$ -</u>	<u>\$ 31,278</u>

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENT OF REVENUES AND EXPENSES - INDIVIDUAL FACILITIES (In Thousands)
September 30, 2022

	South Georgia Medical Center	SGMC - Berrien Campus	SGMC - Lanier Campus	SGMC Physician Network	Intercompany Eliminations	Total
Operating revenues:						
Net patient service revenue, net of provision for bad debts of \$49,930	\$ 359,928	\$ 9,091	\$ 19,264	\$ 27,902	\$ -	\$ 416,185
Other revenue	<u>13,518</u>	<u>3</u>	<u>769</u>	<u>2</u>	<u>(3,448)</u>	<u>10,844</u>
Total operating revenues	<u>373,446</u>	<u>9,094</u>	<u>20,033</u>	<u>27,904</u>	<u>(3,448)</u>	<u>427,029</u>
Operating expenses:						
Salaries and benefits	192,564	6,673	11,332	33,879	-	244,448
Supplies	98,172	1,109	2,489	1,693	-	103,463
Services	40,863	941	2,774	1,165	-	45,743
Depreciation and amortization	27,729	529	724	-	-	28,982
Medical and professional fees	37,574	1,085	1,266	6,053	(3,448)	42,530
Other expenses	<u>12,976</u>	<u>366</u>	<u>805</u>	<u>1,201</u>	<u>-</u>	<u>15,348</u>
Total operating expenses	<u>409,878</u>	<u>10,703</u>	<u>19,390</u>	<u>43,991</u>	<u>(3,448)</u>	<u>480,514</u>
Operating income (loss)	(36,432)	(1,609)	643	(16,087)	-	(53,485)
Nonoperating revenue (expenses)	<u>(43,169)</u>	<u>2,217</u>	<u>1,646</u>	<u>(178)</u>	<u>-</u>	<u>(39,484)</u>
Excess revenues (expenses)	<u>\$ (79,601)</u>	<u>\$ 608</u>	<u>\$ 2,289</u>	<u>\$ (16,265)</u>	<u>\$ -</u>	<u>\$ (92,969)</u>

See report on facility information.

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
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The Board of Trustees
Hospital Authority of Valdosta and
Lowndes County, Georgia
Valdosta, 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 business-type activities and fiduciary activities of the Hospital Authority of Valdosta and Lowndes County, Georgia (Authority) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 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 opinions 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, detect, and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Draffin & Tucker, LLP

Albany, Georgia
December 18, 2023