

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

FINANCIAL STATEMENTS

for the years ended December 31, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Candler County Hospital Authority
Metter, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Candler County Hospital Authority (Authority), a component unit of Candler County, Georgia, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Candler County Hospital Authority as of December 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

Continued

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Draffin & Tucker, LLP". The signature is written in a cursive, flowing style.

Albany, Georgia
August 19, 2025

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

BALANCE SHEETS
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 4,758,763	\$ 5,342,106
Short-term investments	1,762,220	1,000,000
Patient accounts receivable, net of contractual allowances and estimated uncollectibles of approximately \$12,515,000 in 2024 and \$12,063,000 in 2023	3,476,853	3,692,906
Supplies	370,685	332,489
Lease receivable, current portion	38,944	-
Other current assets	<u>843,704</u>	<u>1,319,056</u>
Total current assets	<u>11,251,169</u>	<u>11,686,557</u>
Noncurrent cash:		
Externally restricted for debt service	<u>-</u>	<u>118,872</u>
Lease receivable, net of current portion	<u>562,096</u>	<u>-</u>
Capital assets:		
Nondepreciable capital assets	218,745	744,077
Intangible right-to-use lease assets, net of accumulated amortization	1,642,443	1,427,199
Intangible right-to-use subscription assets, net of accumulated amortization	698,265	1,107,781
Depreciable capital assets, net of accumulated depreciation	<u>4,203,274</u>	<u>4,151,413</u>
Total capital assets, net	<u>6,762,727</u>	<u>7,430,470</u>
Total assets	<u>\$ 18,575,992</u>	<u>\$ 19,235,899</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

BALANCE SHEETS, Continued
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ -	\$ 9,977
Current maturities of lease liabilities	458,609	446,557
Current maturities of subscription liabilities	493,252	507,861
Accounts payable	747,982	1,107,355
Accrued expenses	1,371,711	1,110,824
Estimated third-party payor settlements	<u>961,990</u>	<u>558,893</u>
Total current liabilities	4,033,544	3,741,467
Lease liabilities, net of current maturities	1,264,368	1,052,529
Subscription liabilities, net of current maturities	<u>192,492</u>	<u>614,374</u>
Total liabilities	5,490,404	5,408,370
Deferred inflows of resources:		
Deferred inflows on lessor leases	<u>586,270</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>6,076,674</u>	<u>5,408,370</u>
Net position:		
Net investment in capital assets	4,354,006	4,799,172
Restricted:		
Expendable for debt service	-	118,872
Unrestricted	<u>8,145,312</u>	<u>8,909,485</u>
Total net position	<u>12,499,318</u>	<u>13,827,529</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,575,992</u>	<u>\$ 19,235,899</u>

See accompanying notes to financial statements.

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately \$7,878,000 in 2024 and \$7,253,000 in 2023)	\$ 25,749,242	\$ 26,860,885
Other revenue	<u>1,255,788</u>	<u>1,561,159</u>
Total operating revenues	<u>27,005,030</u>	<u>28,422,044</u>
Operating expenses:		
Salaries and wages	13,161,320	12,017,232
Employee health and welfare	2,713,080	2,133,844
Purchased services	3,730,377	3,557,363
Medical supplies and drugs	3,859,852	3,804,855
Professional fees	3,413,103	3,452,012
Repairs and maintenance	467,757	513,910
Utilities and communications	346,692	361,763
Insurance	265,093	205,008
Other	1,102,392	1,065,388
Depreciation and amortization	<u>1,931,851</u>	<u>1,839,208</u>
Total operating expenses	<u>30,991,517</u>	<u>28,950,583</u>
Operating loss	<u>(3,986,487)</u>	<u>(528,539)</u>
Nonoperating revenues (expenses):		
Interest income	140,638	51,256
Interest expense	(130,416)	(135,736)
Lease and related interest income	86,766	-
Noncapital grants and contributions	2,421,839	3,358,961
Gain on settlements	139,449	348,006
Grant stimulus funding	<u>-</u>	<u>138,376</u>
Total nonoperating revenues	<u>2,658,276</u>	<u>3,760,863</u>
Excess revenues (expenses)	(1,328,211)	3,232,324
Capital grants and contributions	<u>-</u>	<u>658,273</u>
Increase (decrease) in net position	(1,328,211)	3,890,597
Net position, beginning of year	<u>13,827,529</u>	<u>9,936,932</u>
Net position, end of year	<u>\$ 12,499,318</u>	<u>\$ 13,827,529</u>

See accompanying notes to financial statements.

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 27,905,559	\$ 28,078,846
Payments to suppliers and contractors	(13,435,596)	(12,854,304)
Payments to employees	<u>(15,508,649)</u>	<u>(14,161,094)</u>
Net cash provided (used) by operating activities	<u>(1,038,686)</u>	<u>1,063,448</u>
Cash flows from noncapital financing activities:		
Noncapital contributions	<u>2,421,839</u>	<u>2,627,106</u>
Net cash provided by noncapital financing activities	<u>2,421,839</u>	<u>2,627,106</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term liabilities	(1,034,017)	(2,558,222)
Interest paid on long-term liabilities	(130,416)	(132,335)
Purchase of capital assets	(452,668)	(1,261,813)
Lease and related interest income	71,996	-
Capital grants and contributions	<u>127,447</u>	<u>1,017,266</u>
Net cash used by capital and related financing activities	<u>(1,417,658)</u>	<u>(2,935,104)</u>
Cash flows from investing activities:		
Interest income	94,510	51,256
Sale of investments	1,000,000	-
Purchase of investments	<u>(1,762,220)</u>	<u>(1,000,000)</u>
Net cash used by investing activities	<u>(667,710)</u>	<u>(948,744)</u>
Net decrease in cash	(702,215)	(193,294)
Cash, beginning of year	<u>5,460,978</u>	<u>5,654,272</u>
Cash, end of year	<u>\$ 4,758,763</u>	<u>\$ 5,460,978</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of cash to the balance sheet:		
Cash in current assets	\$ 4,758,763	\$ 5,342,106
Restricted cash in noncurrent assets	<u>-</u>	<u>118,872</u>
Total cash	<u>\$ 4,758,763</u>	<u>\$ 5,460,978</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (3,986,487)	\$ (528,539)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,931,851	1,839,208
Provisions for bad debts	7,877,749	7,253,034
Changes in:		
Patient accounts receivable	(7,661,696)	(7,952,628)
Supplies	(38,196)	(40,878)
Estimated third-party payor settlements	403,097	864,893
Other current assets	394,033	(599,719)
Accounts payable	(219,924)	124,611
Accrued expenses	<u>260,887</u>	<u>103,466</u>
Net cash provided (used) by operating activities	<u>\$ (1,038,686)</u>	<u>\$ 1,063,448</u>

Supplemental disclosures of cash flow information:

- Principal and interest payments on long-term debt, paid by the County on behalf of the Authority, were approximately \$-0- and \$527,000 in 2024 and 2023, respectively.
- The Authority entered into subscription-based information technology arrangements of approximately \$119,000 and \$9,000 in 2024 and 2023, respectively.
- The Authority entered into lease obligations of approximately \$692,000 and \$-0- for new equipment in 2024 and 2023, respectively.

See accompanying notes to financial statements.

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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

Reporting Entity

The Candler County Hospital Authority (Authority) is a public corporation that operates Candler County Hospital, an acute care hospital. The Authority was created on November 11, 1958 by the Board of Commissioners of Roads and Revenues of Candler County, Georgia to operate, control, and manage all matters concerning the county's health care functions. The Board of Commissioners of Candler County, Georgia nominate the Board of Directors of the Authority and the County has guaranteed some debt of the Authority. For these reasons, the Authority is considered to be a component unit of Candler County, Georgia.

Use of Estimates

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

Enterprise Fund Accounting

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

Short-Term Investments

Short-term investments include certificates of deposit and U.S. Treasury notes.

Certificates of deposit are carried at amortized cost, which approximates fair value with an original term of 12 months or less.

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 nonoperating revenue when earned.

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CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

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

Capital Assets

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

Land improvements	8 to 20 Years
Buildings and improvements	10 to 40 Years
Equipment	3 to 20 Years
Right-to-use lease assets	1 to 15 Years
Right-to-use subscription assets	1 to 5 Years

Leases

The Authority is a lessee for noncancellable leased equipment and buildings. 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 the shorter period of the lease term or the estimated useful life of the asset.

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 non-cancellable 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

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

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

Leases, Continued

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements

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

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

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

Subscription-Based Information Technology Arrangements, Continued

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

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

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

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

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

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

Deferred Inflows of Resources

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

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

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

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statement of revenues, expenses and changes in net position for the years ended December 31, 2024 and 2023.

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 Cost

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

Grants and Contributions

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

Restricted Resources

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

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

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

Net Position

Net position of the Authority is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority. *Unrestricted net position* is the remaining net amount of assets, 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 position*.

Operating Revenues and Expenses

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

Compensated Absences

The Authority's employees earn Paid Time Off (PTO) at varying rates depending on years of service. The amount of PTO an employee can accumulate is limited. Employees who voluntarily terminate their job after one year of service may request payment of their unused PTO balance if termination is in accordance with the PTO policy. Employees may also convert PTO to cash under certain conditions. The Authority estimates how much of the accumulated leave is more likely than not to be used as paid leave during employment and upon termination and recognizes that portion as a liability for compensated absences. Accrued PTO is reported as accrued expenses on the balance sheet.

Allowance for Doubtful Accounts

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

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

1. Description of Reporting Entity and 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.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Authority is partially self-insured for medical malpractice claims and judgments, as discussed in Note 11.

Income Taxes

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

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 arrangements 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.

Supplies

Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

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

Fair Value Measurements

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

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently Adopted Accounting Pronouncement

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

Prior Year Reclassifications

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

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

2. Net Patient Service Revenue

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

- Medicare

Effective October 1, 2004, the Authority was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. 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. The Authority's Medicare cost reports have been audited by the MAC through December 31, 2022.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. 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 December 31, 2022.

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

The Authority participates in the Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately \$1,392,000 and \$1,397,000 for the years ended December 31, 2024 and 2023, respectively.

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CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$25,000 and \$59,000 for the years ended December 31, 2024 and 2023, respectively.

- Other Arrangements

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

Revenue from the Medicare and Medicaid programs accounted for approximately 56% and 13%, respectively, of the Authority's net patient service revenue for the year ended 2024 and 54% and 13%, respectively, of the Authority's net patient service revenue for the year ended 2023. 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 2024 and 2023 net patient service revenue decreased approximately \$1,353,000 and increased approximately \$120,000, respectively, due to prior-year retroactive adjustments in excess of amounts previously estimated.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue improper payments with a three year look back from the date the claim was paid. While no such regulatory inquiries have been made to date, 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.

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2024 and 2023 were approximately \$73,726,000 and \$73,402,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$2,486,000 and \$1,889,000 in 2024 and 2023, respectively. The cost of charity and indigent care services provided during 2024 and 2023 was approximately \$775,000 and \$545,000, respectively, computed by applying a total cost factor to the charges foregone.

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

	<u>2024</u>	<u>2023</u>
Gross patient charges	\$ 99,475,369	\$ 100,262,600
Uncompensated services:		
Indigent and charity care	2,486,121	1,888,566
Medicare	36,963,031	35,938,211
Medicaid	7,349,725	10,292,685
Other allowances	19,049,501	18,029,219
Bad debts	<u>7,877,749</u>	<u>7,253,034</u>
Total uncompensated care	<u>73,726,127</u>	<u>73,401,715</u>
Net patient service revenue	<u>\$ 25,749,242</u>	<u>\$ 26,860,885</u>

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CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

4. Cash and Investments

Cash and investments as of December 31, 2024 and 2023 are classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 4,758,763	\$ 5,342,106
Restricted cash in noncurrent assets	-	118,872
Short-term investments	<u>1,762,220</u>	<u>1,000,000</u>
Total cash and investments	<u>\$ 6,520,983</u>	<u>\$ 6,460,978</u>
Cash and investments consist of the following:		
Deposits	\$ 4,758,763	\$ 5,460,978
Certificates of deposit	1,762,220	750,000
U.S. Treasury notes	<u>-</u>	<u>250,000</u>
Total cash and investments	<u>\$ 6,520,983</u>	<u>\$ 6,460,978</u>

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority.

As of December 31, 2024 and 2023, the Authority's deposits were entirely insured, collateralized with securities held by a trustee in the Authority's name, 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 the other banks participating in the contingent liability pool will cover any loss exceeding FDIC insurance limits.

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 declines in fair values from rising interest rates by investing in debt securities with short to intermediate maturities.

The Authority does not have a deposit or investment policy for custodial credit risk, credit risk, or interest rate risk.

U.S. Treasury notes are classified as Level 2 on the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at December 31, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	<u>2023</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 9,198,174	\$ 8,371,187
Receivable from Medicare	5,408,322	5,737,905
Receivable from Medicaid	<u>1,385,157</u>	<u>1,646,972</u>
 Total patient accounts receivable	 15,991,653	 15,756,064
 Less: allowance for uncollectible amounts and contractual adjustments	 <u>12,514,800</u>	 <u>12,063,158</u>
 Patient accounts receivable, net	 <u><u>\$ 3,476,853</u></u>	 <u><u>\$ 3,692,906</u></u>
 Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 1,371,711	\$ 1,110,824
Payable to suppliers	<u>747,982</u>	<u>1,107,355</u>
 Total accounts payable and accrued expenses	 <u><u>\$ 2,119,693</u></u>	 <u><u>\$ 2,218,179</u></u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

6. Capital Assets

Capital asset changes for the years ended December 31, 2024 and 2023 are as follows:

	<u>2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>2024</u>
Land	\$ 168,940	\$ -	\$ -	\$ -	\$ 168,940
Construction-in-progress	<u>575,137</u>	<u>406,173</u>	<u>(14,910)</u>	<u>(916,595)</u>	<u>49,805</u>
Total capital assets not being depreciated and amortized	<u>744,077</u>	<u>406,173</u>	<u>(14,910)</u>	<u>(916,595)</u>	<u>218,745</u>
Land improvements	148,884	-	-	112,600	261,484
Buildings and improvements	8,454,474	-	-	634,751	9,089,225
Equipment	6,084,304	61,405	-	169,244	6,314,953
Intangible right-to-use lease assets	2,742,893	692,216	(1,186)	-	3,433,923
Intangible right-to-use subscription assets	<u>2,056,563</u>	<u>119,224</u>	<u>(35,564)</u>	<u>-</u>	<u>2,140,223</u>
Total capital assets being depreciated and amortized	<u>19,487,118</u>	<u>872,845</u>	<u>(36,750)</u>	<u>916,595</u>	<u>21,239,808</u>
Less: accumulated depreciation and amortization for:					
Land improvements	148,884	10,688	-	-	159,572
Buildings and improvements	6,577,271	297,180	-	-	6,874,451
Equipment	3,810,094	618,271	-	-	4,428,365
Intangible right-to-use lease assets	1,315,694	476,972	(1,186)	-	1,791,480
Intangible right-to-use subscription assets	<u>948,782</u>	<u>528,740</u>	<u>(35,564)</u>	<u>-</u>	<u>1,441,958</u>
Total accumulated depreciation and amortization	<u>12,800,725</u>	<u>1,931,851</u>	<u>(36,750)</u>	<u>-</u>	<u>14,695,826</u>
Capital assets being depreciated and amortized, net	<u>6,686,393</u>	<u>(1,059,006)</u>	<u>-</u>	<u>916,595</u>	<u>6,543,982</u>
Total capital assets, net	<u>\$ 7,430,470</u>	<u>\$ (652,833)</u>	<u>\$ (14,910)</u>	<u>\$ -</u>	<u>\$ 6,762,727</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

6. Capital Assets, Continued

	<u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>2023</u>
Land	\$ 168,940	\$ -	\$ -	\$ -	\$ 168,940
Construction-in-progress	<u>640,956</u>	<u>1,207,723</u>	<u>-</u>	<u>(1,273,542)</u>	<u>575,137</u>
Total capital assets not being depreciated and amortized	<u>809,896</u>	<u>1,207,723</u>	<u>-</u>	<u>(1,273,542)</u>	<u>744,077</u>
Land improvements	148,884	-	-	-	148,884
Buildings and improvements	8,088,366	-	-	366,108	8,454,474
Equipment	12,408,964	-	(7,232,094)	907,434	6,084,304
Intangible right-to-use lease assets	2,742,893	-	-	-	2,742,893
Intangible right-to-use subscription assets	<u>2,047,353</u>	<u>9,210</u>	<u>-</u>	<u>-</u>	<u>2,056,563</u>
Total capital assets being depreciated and amortized	<u>25,436,460</u>	<u>9,210</u>	<u>(7,232,094)</u>	<u>1,273,542</u>	<u>19,487,118</u>
Less: accumulated depreciation and amortization for:					
Land improvements	148,884	-	-	-	148,884
Buildings and improvements	6,298,898	278,373	-	-	6,577,271
Equipment	10,471,893	624,385	(7,286,184)	-	3,810,094
Intangible right-to-use lease assets	877,130	438,564	-	-	1,315,694
Intangible right-to-use subscription assets	<u>450,896</u>	<u>497,886</u>	<u>-</u>	<u>-</u>	<u>948,782</u>
Total accumulated depreciation and amortization	<u>18,247,701</u>	<u>1,839,208</u>	<u>(7,286,184)</u>	<u>-</u>	<u>12,800,725</u>
Capital assets being depreciated and amortized, net	<u>7,188,759</u>	<u>(1,829,998)</u>	<u>54,090</u>	<u>1,273,542</u>	<u>6,686,393</u>
Total capital assets, net	<u>\$ 7,998,655</u>	<u>\$ (622,275)</u>	<u>\$ 54,090</u>	<u>\$ -</u>	<u>\$ 7,430,470</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

7. Long-Term Liabilities

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

	<u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u>	Amounts Due Within <u>One Year</u>
Direct borrowings and direct placements:					
Notes payable	\$ 9,977	\$ -	\$ 9,977	\$ -	\$ -
Lease liabilities	1,499,086	685,685	461,794	1,722,977	458,609
Subscription liabilities	<u>1,122,235</u>	<u>92,991</u>	<u>529,482</u>	<u>685,744</u>	<u>493,252</u>
Total long-term liabilities	<u>\$ 2,631,298</u>	<u>\$ 778,676</u>	<u>\$ 1,001,253</u>	<u>\$ 2,408,721</u>	<u>\$ 951,861</u>

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	Amounts Due Within <u>One Year</u>
Direct borrowings and direct placements:					
Taxable note:					
Series 2014	\$ 523,908	\$ -	\$ 523,908	\$ -	\$ -
Notes payable	1,653,801	-	1,643,824	9,977	9,977
Lease liabilities	1,927,742	-	428,656	1,499,086	446,557
Subscription liabilities	<u>1,598,768</u>	<u>4,410</u>	<u>480,943</u>	<u>1,122,235</u>	<u>507,861</u>
Total long-term liabilities	<u>\$ 5,704,219</u>	<u>\$ 4,410</u>	<u>\$ 3,077,331</u>	<u>\$ 2,631,298</u>	<u>\$ 964,395</u>

The terms and due dates of the Authority's long-term liabilities at December 31, 2024 and 2023, follows:

- Taxable Note, Series 2014 with Queensborough National Bank dated December 17, 2014. Payable in 120 monthly payments of approximately \$35,000 including interest at the fixed rate of 4.15% through January 2017. Beginning with the February 2017 payment, interest will be accrued at the *Wall Street Journal* prime rate, plus 0.50%, adjusted daily. Secured by property of the Authority, due January 2025. In February 2023, the note was paid off in full.
- Promissory note payable to the United States Department of Agriculture (USDA) dated March 17, 2014. Payable in 120 monthly payments of approximately \$10,000 including interest at the fixed rate of 3.50%, secured by a pledge of various medical equipment, due April 2024. In January 2024, the note was paid off in full.

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

7. Long-Term Liabilities, Continued

- Note payable to Candler County, Georgia with an outstanding balance of \$1,324,751 at December 31, 2022. In March 2023, the note was paid off in full.
- Equipment finance agreement with a vendor with an outstanding balance of \$199,913 at December 31, 2022. Payable in 60 monthly installments of approximately \$19,000 including interest at the imputed rate of 10.79%, secured by the financed equipment, due January 2025. In December 2023, the outstanding balance was paid off in full.

To further secure the Series 2014 Taxable Note, the Authority and Candler County (County) entered into a contract in which the Authority agreed to make the Hospital facilities and services available to the residents of Candler County. The County agreed to levy an ad valorem tax on all taxable property within the County as may be necessary in each year to fulfill the County's obligation under the contract.

Effective January 1, 2017, Candler County began subsidizing the Series 2014 Taxable Note. Initially, the County made the debt payments through the implementation of a \$90 per parcel fee. Effective January 1, 2018, the County implemented a 1 mil tax levy to subsidize the debt payments. Also, in 2018, certain special purpose local option sales tax (SPLOST) funds were designated to help make the debt payments. Principal and interest payments made by the County on behalf of the Authority in 2024 and 2023 were approximately \$0- and \$527,000, respectively.

All outstanding long-term liabilities from direct borrowings and direct placements contain provisions of default that, if experienced by the Authority, would change the timing of repayment of outstanding amounts to become immediately due.

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

Year Ended December 31:	<u>Lease Liabilities</u>		<u>Subscription Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 458,609	\$ 90,641	\$ 493,252	\$ 19,359
2026	347,441	73,343	192,492	4,463
2027	309,872	57,797	-	-
2028	35,663	49,892	-	-
2029	31,786	47,309	-	-
2030-2034	214,952	190,098	-	-
2035-2039	324,654	60,731	-	-
Total	<u>\$ 1,722,977</u>	<u>\$ 569,811</u>	<u>\$ 685,744</u>	<u>\$ 23,822</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

7. Long-Term Liabilities, Continued

The Authority has subscription-based information technology arrangements 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 December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Right-to-use subscription asset amortization	\$ 528,740	\$ 497,886
Subscription liability interest expense	<u>34,625</u>	<u>47,618</u>
Total subscription cost	<u>\$ 563,365</u>	<u>\$ 545,504</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 liability.

Lessor Leases

The Authority is a lessor for a building under a lease expiring in March 2034. The Authority recognized \$48,000 and \$-0- in lease revenue during 2024 and 2023, respectively. The Authority also recognized \$39,000 and \$-0- in interest revenue during 2024 and 2023, respectively.

Lessee Leases

The Authority is a lessee for noncancellable leased equipment and buildings. Intangible right-to-use lease assets and lease liabilities as of December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Intangible right-to-use lease assets, net	<u>\$ 1,642,443</u>	<u>\$ 1,427,199</u>
Lease liabilities:		
Current maturities	\$ 458,609	\$ 446,557
Long-term	<u>1,264,368</u>	<u>1,052,529</u>
Total	<u>\$ 1,722,977</u>	<u>\$ 1,499,086</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

7. Long-Term Liabilities, Continued

Expenses for the leasing activity of the Authority as the lessee for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Right-to-use lease asset amortization	\$ 476,972	\$ 438,564
Lease liability interest expense	<u>95,610</u>	<u>70,081</u>
Total lease cost	<u>\$ 572,582</u>	<u>\$ 508,645</u>

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.

8. 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.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

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CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

8. Contingencies, Continued

Litigation

The Authority is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See malpractice insurance disclosures in Note 11.

9. 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, accounts payable, accrued expenses, and estimated third-party payor settlements:* The amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.
- *U.S. Treasury notes:* The amounts reported in the balance sheet are at fair value.
- *Certificates of deposit:* Valued at amortized cost, which approximates fair value.
- *Long-term debt:* The fair value of the Authority's 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. The carrying amount of variable rate obligations approximates fair value.

The carrying amounts and estimated fair values of the Authority's long-term debt at December 31, 2024 and 2023 are as follows:

	2024		2023	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ -	\$ -	\$ 9,977	\$ 9,651

10. Retirement Plan

The Candler County Hospital 403(b) Plan (403(b) Plan) is a defined contribution plan established and administered by the Authority to provide benefits at retirement to substantially all eligible employees. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors.

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CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

10. Retirement Plan, Continued

Employees may make voluntary contributions to the 403(b) Plan. The Authority's matching contribution of 3% was reinstated in fiscal year 2024 after being previously suspended. Total expense for the 403(b) Plan incurred by the Authority was \$142,000 and \$-0- in 2024 and 2023, respectively. The Authority had no liability outstanding related to the 403(b) Plan at December 31, 2024 and 2023. Employees are immediately 100% vested in all funds under the 403(b) Plan.

The Authority has also established and administers the Candler County 457 Top Hat Plan (457 Plan). The 457 Plan is offered to limited employees of the Authority. The Authority makes no matching contributions to the 457 Plan and had no liability outstanding related to the 457 Plan at December 31, 2024 and 2023. Employees are immediately 100% vested in all funds under the 457 Plan.

11. Malpractice Insurance

The Authority is covered by a per-occurrence general and claims-made professional liability insurance policy with a specified deductible of \$25,000 per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2024 and 2023 are \$1 million per occurrence and \$3 million in aggregate, with excess liability coverage of \$2 million per occurrence and in aggregate.

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.

12. Concentrations of Credit Risk

The Authority grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	34%	36%
Medicaid	8%	11%
Third-party payors	22%	21%
Patients	<u>36%</u>	<u>32%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

13. Employee Health Insurance

The Authority purchases employee health insurance through a third-party vendor. Total expense related to employee health insurance was approximately \$1,350,000 and \$1,100,000 for 2024 and 2023, respectively. These amounts are included in the statements of revenues, expenses and changes in net position as employee health and welfare.

14. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2029. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2024 and 2023. Contributions received under the program approximated \$2,057,000 during fiscal year 2024 and \$2,173,000 during fiscal year 2023. The Authority will have to be approved by the State to participate in the program in each subsequent year. These funds are reflected in noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

15. 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 depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Authority's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

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

Continued

CANDLER COUNTY HOSPITAL AUTHORITY
(A Component Unit of Candler County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2024 and 2023

15. Coronavirus (COVID-19), Continued

expenses and changes in net position. The Authority received approximately \$6,511,000 in grant stimulus funding in fiscal years 2020 through 2024. The Authority recognized approximately \$-0- and \$709,000 during fiscal years 2024 and 2023, respectively. As of December 31, 2024 and 2023, the Authority had \$-0- in unearned revenue related to grant stimulus funding.

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

16. Gain on Settlements

During 2024 and 2023, the Authority settled outstanding balances owed to various vendors at amounts less than recorded in accounts payable. The difference in the amount recorded in accounts payable and the agreed upon settlement payment is recorded in the statements of revenues, expenses and changes in net position as gain on settlements.

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



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

Board of Directors
Candler County Hospital Authority
Metter, 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 Candler County Hospital Authority (Authority), which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control 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.

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

Report on Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Draffin & Tucker, LLP". The signature is written in a cursive, flowing style.

Albany, Georgia
August 19, 2025