

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

FINANCIAL STATEMENTS

for the years ended July 31, 2021 and 2020



Let's Think Together.®

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

FINANCIAL STATEMENTS

for the years ended July 31, 2021 and 2020

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Financial Statements:	
Balance Sheets	9-10
Statements of Revenues, Expenses and Changes in Net Position	11-12
Statements of Cash Flows	13-15
Notes to Financial Statements	16-40



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hospital Authority of Ben Hill County,
D/B/A Dorminy Medical Center
Fitzgerald, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Authority of Ben Hill County, D/B/A Dorminy Medical Center (Authority), which comprise the balance sheets as of July 31, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended July 31, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued

1
Let's Think Together.®

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Hospital Authority of Ben Hill County, D/B/A Dorminy Medical Center as of July 31, 2021 and 2020, 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.

Substantial Doubt about the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 17 to the financial statements, the Authority has suffered recurring operating losses and resulting cash flow difficulties. These issues raise substantial doubt about the Authority's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

DRAFFIN + TUCKER, LLP

Albany, Georgia
September 9, 2022



Management's Discussion and Analysis For the Year Ended July 31, 2021

Our discussion and analysis of the Hospital Authority of Ben Hill County D/B/A Dorminy Medical Center's (Authority) financial performance provides and overview of the Authority's financial activities during the fiscal years ended July 31, 2021, 2020 and 2019. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority's net position increased in 2021 by \$29,757,000 or 116% and decreased in 2020 by \$1,973,000 or 8%.
- The Authority reported net operating loss of \$5,744,000 in 2021 and \$4,554,000 in 2020.

Using This Annual Report

The Authority's financial statements consist of three statements - Balance Sheets; Statements of Revenues, Expenses, and Changes in Net Position; and Statements 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 Sheets and Statements of Revenues, Expenses, and Changes in Net Position

Our analysis of the Authority's finances begins on page 4. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increase or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

Continued

**Management’s Discussion and Analysis
For the Year Ended July 31, 2021**

The Statements of Cash Flows

The final required statement is the Statements of Cash Flows. The statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from?”, “What was cash used for?” and “What was the change in cash balance during the reporting period?”

The Authority’s Net Position

The Authority’s net position is the difference between its assets and liabilities reported on the balance sheet. The following table summarizes the balance sheets as of July 31, 2021, 2020 and 2019:

Balance Sheet Data

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 12,898,000	\$ 18,706,000	\$ 4,731,000
Noncurrent cash and investments	2,855,000	471,000	144,000
Capital assets, net	7,993,000	7,106,000	8,166,000
Other assets	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
 Total assets	 <u>\$ 23,770,000</u>	 <u>\$ 26,307,000</u>	 <u>\$ 13,065,000</u>
 Current liabilities	 \$ 7,077,000	 \$ 17,133,000	 \$ 5,246,000
Long-term debt, net of current maturities	9,605,000	10,190,000	8,911,000
Noncurrent liabilities	<u>2,889,000</u>	<u>24,542,000</u>	<u>22,493,000</u>
 Total liabilities	 19,571,000	 51,865,000	 36,650,000
 Net position:			
Net investment in capital assets	(699,000)	(2,312,000)	(1,909,000)
Restricted	131,000	171,000	144,000
Unrestricted	<u>4,767,000</u>	<u>(23,417,000)</u>	<u>(21,820,000)</u>
 Total liabilities and net position	 <u>\$ 23,770,000</u>	 <u>\$ 26,307,000</u>	 <u>\$ 13,065,000</u>

The Authority’s Funds

As the Authority completed 2021, its operating cash as presented in the Balance Sheet under Current Assets reported a total of \$8,855,000 which is below the prior year’s balance of \$13,900,000. This reduction is largely from utilization of funds provided to the Authority for purchases to support the Authority’s ability to respond to the Corona Virus Pandemic and treatment of infected patients. The Authority also designated an additional \$700,000 of funds for potential legal fees associated with the Phoebe lawsuit.

Continued

Management's Discussion and Analysis For the Year Ended July 31, 2021

The Authority's Net Patient Accounts Receivable

During fiscal year 2021, the net patient accounts receivable balance decreased from \$3,334,000 to \$2,813,000. A decrease of \$521,000 or 16% year over year. This decrease is a result of an increase in collections on patient amounts in fiscal year 2021. The Dorminy Medical Center's (Hospital) payor mix for fiscal year 2021 consisted of 43% commercial, 30% Medicare, 4% Medicaid, and 23% Self-Pay. Payor mix is important as it is an indicator of what percentage of collections the Hospital should expect on its patient accounts. An increase or decrease in certain payor percentages of the payor mix can show improvement or decline in cash collections on its accounts. Better payor sources provide a better cash flow through operations whereas payor sources that don't pay as well can have an adverse effect to the cash through operations.

Medicare Advance Payments

During the beginning of the Corona Virus Pandemic, Medicare noticed that immediate financial support would be required to assist hospitals in responding to such an event. In order to provide this support Medicare sent our advanced payments to hospitals. Medicare required that the funds be paid back in either a lump sum at the determined date or that a withholding be established and funds repaid over time as the hospital billed Medicare for claims on patient accounts. The Authority received \$2,345,385 in advanced payments and deposited them in a separate account as a last resort of usage. The Authority was fortunate enough to not have to utilize them. For repayment the Authority chose to allow Medicare to withhold a portion of funds from each billed claim to Medicare until the funds were repaid in full. Each month the withholdings on these accounts are summed up and then moved from the account that these funds sit in to keep the cash flow in line with operations. As of fiscal year 2021, the remaining balance of these funds total approximately \$2,118,000.

The Authority's Current Liabilities

Our current liabilities decreased significantly from \$17,133,000 to \$7,077,000, a decrease of \$10,056,000 or 58.7%. This change is largely due to the recognition of Provider Relief Funds (PRF) received the U.S. Department of Health and Human Services (HHS) to combat COVID-19 that had originally been recorded as unearned revenue. The Authority submitted their reports detailing expenses that the PRF was utilized for. We took a conservative approach when using the funds and felt comfortable recognizing the funds included in the first reporting period. Current portion of long-term debt is included in this figure where it is paid down throughout the year.

The Authority's Long-Term Debt, Net of Current Maturities

Long-term debt, net of current maturities consists of debt that extends further than a year from the current financial statement year end. Long-term debt, net of current maturities is taking the long-term debt and reducing by the amount that is considered the current portion that debt. The current portion of is determined by the amount that is due within the coming year. We separate them to show what amount of debt obligations will be paid in the later years. The year-to-year decrease in this figure is a result of moving the coming year's current portion of each note into the current liabilities.

Continued

**Management's Discussion and Analysis
For the Year Ended July 31, 2021**

The Authority's Noncurrent Liabilities

The large decrease year-to-year is a result of a finalized resolution of litigation between The Authority of Ben Hill County and Phoebe Health System. The resolution resulted in a decrease of \$20,877,000 of noncurrent liabilities on the Authority's Balance Sheet. See Note 8 to the financial statements for additional information.

The Authority's Net Position

The net position of the Balance Sheets is the equity component of the Authority. This line item explains the current financial status of the Authority. A positive net position indicates to users of the financial statements that the Authority is currently in a good financial position. This number is the difference of total assets and total liabilities on the Balance Sheets and the net change from year-to-year is explained in the Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the revenues and expenses for the periods ended July 31, 2021, 2020 and 2019:

Statements of Revenues and Expenses Data

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total operating revenue	\$ 23,403,000	\$ 21,525,000	\$ 26,388,000
Operating expenses:			
Operating expenses	28,140,000	24,918,000	26,635,000
Depreciation	<u>1,007,000</u>	<u>1,161,000</u>	<u>1,162,000</u>
Total operating expenses	<u>29,147,000</u>	<u>26,079,000</u>	<u>27,797,000</u>
Operating loss	(5,744,000)	(4,554,000)	(1,409,000)
Nonoperating revenues	<u>35,492,000</u>	<u>2,473,000</u>	<u>617,000</u>
Excess revenues (expenses) before capital grants and contributions	29,748,000	(2,081,000)	(792,000)
Capital grants and contributions	<u>9,000</u>	<u>108,000</u>	<u>108,000</u>
Increase (decrease) in net position	29,757,000	(1,973,000)	(684,000)
Net position, beginning of year	<u>(25,558,000)</u>	<u>(23,585,000)</u>	<u>(22,901,000)</u>
Net position, end of year	<u>\$ 4,199,000</u>	<u>\$ (25,558,000)</u>	<u>\$ (23,585,000)</u>

Continued

Management's Discussion and Analysis For the Year Ended July 31, 2021

The Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position illustrates the performance of the Authority's operations during the year. The operating revenue of the Authority in 2021 increased to \$23,403,000 from \$21,525,000 an increase of \$1,878,000 (9%). The performance of the Authority is driven by the volumes of our service lines and the ability to keep expenses as low as possible. In fiscal year 2021, the admissions for the Authority fell by 86 (8.5%) year-over-year (YoY). The majority of the decrease resulted from the closing of our OB department in fiscal year 2020 which made up 69 of the 86 drop in admissions. The Authority's swing-bed admissions grew in 2021 by 22, an increase of 81%. In 2021, the Authority performed 158 inpatient operations, a decrease of 39 (20%) YoY, 622 outpatient operations, an increase of 59 (10%) YoY for a total of 780 operations, an increase of 20 (3%) YoY. During fiscal year 2021, the Authority saw a decrease in operations caused by COVID-19 as many of those not requiring immediate surgery were postponed. The closing of the OB unit and c-sections from it also contributed to the decrease in inpatient surgeries. The Authority brought in a new general surgeon in January of 2021 which helped improve our volumes for the last half of the fiscal year. COVID-19 had the largest impact on our emergency room visits as people were avoiding coming into the emergency room as much as they could. The number of visits decreased to 9,215, a decrease of 1,605 (15%) YoY. The Authority had 11,696 outpatient visits, an increase of 127 (1%) YoY. Outpatient visits include lab tests, medical imaging, and other ancillary procedures that do not require a hospital stay. The Authority has a group of physician clinics and in 2021 the total visits were 31,245, an increase of 1,834 (6%). During the fiscal year 2021, the Authority did incur an increase of expenses. The larger of these includes an increase of utilization of agency to fill open positions in our nursing and respiratory therapy professions, an increase in salaries passed by the Authority Board Members through an employee retention package to help stabilize our workforce, and an increase in supplies from inflation and issues with the overall supply chain. The Authority had a significant increase year-to-year in Nonoperating Revenue. This increase is due to the Phoebe Settlement described in "Noncurrent Liabilities" and recognition of the Provider Relief Funds described above in "Current Liabilities".

Rural Tax Credit Program

The rural tax credit is a program established by the State of Georgia law makers to assist rural hospitals in meeting the needs of their community through purchases of equipment to replace old outdated equipment, expand on established service lines or implement new service lines, and help pay down accounts payable to ensure the hospitals maintain a good standing with their vendors allowing the hospitals to continue to provide care to the community. Anyone is eligible to donate to the hospital of their choosing through this program allowing them to designate where their state tax dollars are spent. In fiscal year 2021, the Authority was ranked as the number one most needy hospital and was able to received \$3,575,000 through this program. The most recent "rankings" have been published with the Authority moving down the list as our financial situation has improved.

Continued

**Management's Discussion and Analysis
For the Year Ended July 31, 2021**

Capital Assets and Debt

The Authority's investment in capital assets for 2021, 2020 and 2019 is summarized in the table below:

Capital Assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Construction/renovation projects	\$ 839,000	\$ 66,000	\$ 6,000
Moveable equipment	1,076,000	35,000	422,000
Information system upgrades	<u>65,000</u>	<u>-</u>	<u>-</u>
 Total capital asset additions	 <u>\$ 1,980,000</u>	 <u>\$ 101,000</u>	 <u>\$ 428,000</u>

The Authority's Capital Assets (Net)

During the year, the Authority made purchases for equipment, renovations, and IT upgrades. The equipment and renovations were to better prepare the Hospital for the Corona Virus Pandemic and any future outbreaks. During the year, the Authority approved construction renovation to the roof. At fiscal year end, the work had not yet begun, but much of the materials had arrived on campus. There were some upgrades in our IT to improve our defenses against cyber-attacks. This helps ensure that we are adequately protected and assists us in being able to obtain cyber insurance to further protect our facility from harm.

A recap of the Authority's long-term debt outstanding at July 31, 2021, 2020 and 2019 follows:

<u>Description</u>	<u>Interest Rates</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue Certificates, Series 2007	variable rates	\$ 5,962,000	\$ 6,372,000	\$ 6,765,000
Capital lease obligations	variable rates	140,000	236,000	303,000
Paycheck Protection Program	1.00%	2,000,000	1,938,000	-
Other financing obligations	variable rates	<u>2,187,000</u>	<u>2,406,000</u>	<u>2,604,000</u>
 Total debt, excluding unamortized discounts and premiums		 <u>\$ 10,289,000</u>	 <u>\$ 10,952,000</u>	 <u>\$ 9,672,000</u>

See Notes 6 and 7 to the financial statements for additional information about the capital assets and debt of the Authority.

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's finance department at Dorminy Medical Center, P. O. Box 1447, Fitzgerald, GA 31750-1447.

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

BALANCE SHEETS
July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,855,000	\$ 13,900,000
Short-term investments	75,000	75,000
Patient accounts receivable, net of estimated uncollectibles of \$12,406,000 in 2021 and \$11,303,000 in 2020	2,813,000	3,334,000
Other receivables	323,000	313,000
Estimated third-party settlements	51,000	385,000
Supplies, at lower of cost (first-in, first-out) or market	359,000	323,000
Other current assets	<u>422,000</u>	<u>376,000</u>
Total current assets	<u>12,898,000</u>	<u>18,706,000</u>
Noncurrent cash and investments:		
Restricted by bond indenture for debt service	1,000	39,000
Restricted by donor for indigent care	37,000	37,000
Restricted by donor for hospice care	93,000	95,000
Designated by board	1,001,000	300,000
Other long-term investments	<u>1,723,000</u>	<u>-</u>
Total noncurrent cash and investments	<u>2,855,000</u>	<u>471,000</u>
Capital assets:		
Land	85,000	85,000
Construction-in-progress	841,000	142,000
Depreciable capital assets, net of accumulated depreciation	<u>7,067,000</u>	<u>6,879,000</u>
Total capital assets, net of accumulated depreciation	<u>7,993,000</u>	<u>7,106,000</u>
Other assets:		
Other assets	<u>24,000</u>	<u>24,000</u>
 Total assets	 <u>\$ 23,770,000</u>	 <u>\$ 26,307,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

BALANCE SHEETS, Continued
July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of long-term debt	\$ 629,000	\$ 678,000
Current portion of capital lease obligation	55,000	84,000
Accounts payable	1,321,000	2,234,000
Accrued expenses	1,104,000	1,658,000
CARES Act unearned revenue	2,479,000	11,615,000
Estimated third-party settlements	52,000	473,000
Current portion of Medicare advance payments	<u>1,437,000</u>	<u>391,000</u>
Total current liabilities	<u>7,077,000</u>	<u>17,133,000</u>
Noncurrent liabilities:		
Physician note payable, excluding current portion	100,000	95,000
Medicare advance payments, excluding current portion	681,000	1,954,000
Due to Phoebe Putney Health System, Inc.	<u>2,108,000</u>	<u>22,493,000</u>
Total noncurrent liabilities	<u>2,889,000</u>	<u>24,542,000</u>
Long-term debt:		
Long-term debt, excluding current installments	9,520,000	10,038,000
Capital lease obligations, excluding current portion	<u>85,000</u>	<u>152,000</u>
Total long-term debt	<u>9,605,000</u>	<u>10,190,000</u>
Total liabilities	<u>19,571,000</u>	<u>51,865,000</u>
Net position:		
Net investment in capital assets	(699,000)	(2,312,000)
Restricted:		
Expendable for debt service	1,000	39,000
Expendable for indigent care	37,000	37,000
Expendable for hospice care	93,000	95,000
Unrestricted	<u>4,767,000</u>	<u>(23,417,000)</u>
Total net position	<u>4,199,000</u>	<u>(25,558,000)</u>
Total liabilities and net position	<u>\$ 23,770,000</u>	<u>\$ 26,307,000</u>

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

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$7,483,000 in 2021 and \$8,865,000 in 2020)	\$ 22,160,000	\$ 20,669,000
Other revenue	<u>1,243,000</u>	<u>856,000</u>
 Total operating revenues	 <u>23,403,000</u>	 <u>21,525,000</u>
Operating expenses:		
Salaries and wages	13,239,000	11,543,000
Employee health and welfare	2,385,000	2,108,000
Medical supplies and other	6,273,000	5,229,000
Professional fees	1,473,000	2,022,000
Purchased services	4,770,000	4,016,000
Depreciation and amortization	<u>1,007,000</u>	<u>1,161,000</u>
 Total operating expenses	 <u>29,147,000</u>	 <u>26,079,000</u>
 Operating loss	 <u>(5,744,000)</u>	 <u>(4,554,000)</u>
Nonoperating revenues (expenses):		
Interest expense	(370,000)	(385,000)
Rural hospital tax credit contributions	3,575,000	2,745,000
Forgiveness of PPP loan	1,938,000	-
CARES Act funding	9,411,000	-
Investment income and other	60,000	84,000
Gain on disposal of fixed assets	1,000	29,000
Litigation settlement	<u>20,877,000</u>	<u>-</u>
 Total nonoperating revenues	 <u>35,492,000</u>	 <u>2,473,000</u>
 Excess revenues (expenses) before capital grants and contributions	 29,748,000	 (2,081,000)

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, Continued
for the years ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Capital grants and contributions	\$ <u>9,000</u>	\$ <u>108,000</u>
Increase (decrease) in net position	29,757,000	(1,973,000)
Net position, beginning of year	<u>(25,558,000)</u>	<u>(23,585,000)</u>
Net position, end of year	<u>\$ 4,199,000</u>	<u>\$ (25,558,000)</u>

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

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from patients and payors	\$ 23,826,000	\$ 20,939,000
Receipts from Medicare advanced payments	-	2,345,000
Repayments of Medicare advanced payments	(227,000)	-
Payments to vendors and other suppliers	(13,511,000)	(11,588,000)
Payments to employees	<u>(15,679,000)</u>	<u>(13,319,000)</u>
Net cash used by operating activities	<u>(5,591,000)</u>	<u>(1,623,000)</u>
Cash flows from noncapital financing activities:		
Rural hospital tax credit contributions	3,575,000	2,745,000
CARES Act funding	219,000	11,615,000
Proceeds from issuance of long-term debt	2,000,000	1,938,000
Noncapital contributions	<u>-</u>	<u>70,000</u>
Net cash provided by noncapital financing activities	<u>5,794,000</u>	<u>16,368,000</u>
Cash flows from capital and related financing activities:		
Interest paid on long-term debt	(369,000)	(385,000)
Purchase of property and equipment	(1,911,000)	(54,000)
Principal paid on long-term debt	(629,000)	(588,000)
Payments on capital lease	(96,000)	(67,000)
Capital contributions	<u>9,000</u>	<u>108,000</u>
Net cash used by capital and related financing activities	<u>(2,996,000)</u>	<u>(986,000)</u>
Cash flows from investing activities:		
Interest and dividends on investments	106,000	14,000
Purchase of investments	(4,087,000)	-
Proceeds from sale of investments	<u>2,390,000</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(1,591,000)</u>	<u>14,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net increase (decrease) in cash and cash equivalents	\$ (4,384,000)	\$ 13,773,000
Cash and cash equivalents, beginning of year	<u>14,371,000</u>	<u>598,000</u>
Cash and cash equivalents, end of year	<u>\$ 9,987,000</u>	<u>\$ 14,371,000</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 8,855,000	\$ 13,900,000
Restricted by bond indenture for debt service	1,000	39,000
Restricted by donor for indigent care	37,000	37,000
Restricted by donor for hospice care	93,000	95,000
Designated by board	<u>1,001,000</u>	<u>300,000</u>
Total cash and cash equivalents	<u>\$ 9,987,000</u>	<u>\$ 14,371,000</u>
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (5,744,000)	\$ (4,554,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Gain on disposal of fixed assets	(1,000)	(29,000)
Depreciation and amortization	1,007,000	1,161,000
Provision for bad debts	7,483,000	8,865,000
Changes in:		
Receivables	(6,962,000)	(8,934,000)
Supplies	(36,000)	29,000
Amounts due from third-party payors	(87,000)	(479,000)
Other current and noncurrent assets	(56,000)	(104,000)
Medicare advance payments	(227,000)	2,345,000
Accounts payable	(913,000)	(255,000)
Accrued expenses	<u>(55,000)</u>	<u>332,000</u>
Net cash used by operating activities	<u>\$ (5,591,000)</u>	<u>\$ (1,623,000)</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2021 and 2020

Supplemental disclosures of cash flow information:

- Purchases of capital assets in accounts payable as of July 31, 2021 and 2020 were \$0 and \$14,000, respectively.
- The Authority received PPP loan forgiveness of \$1,938,000 from SBA in 2021. See Note 7 for additional information.
- The Authority held investments at July 31, 2021 with a fair value of \$7,641,000. During 2021, the net change in fair value of these investments was a decrease of \$132,000 .
- See Note 8 for information regarding the settlement agreement with Phoebe Putney Health System, Inc.

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

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS
July 31, 2021 and 2020

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include the operations of the Hospital Authority of Ben Hill County (Authority). The Authority owns and operates Dorminy Medical Center, an acute care hospital as well as the DMC Physician Group, LLC (Group), a wholly-owned subsidiary of the Authority. All significant intercompany accounts and transactions have been eliminated.

The County Commissioners nominate persons from whom the Board selects its members and the County guarantees debt of the Authority related to the Series 2007 Revenue Certificates. For these reasons, the Authority is considered to be a component unit of Ben Hill 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).

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and open-ended mutual funds.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

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 accounts are charged against the allowance.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets restricted by bond indenture for debt service, assets restricted by donors for indigent care and hospice care, and other long-term investments. Assets have also been internally designated by the Board for the payment of legal fees related to the ongoing litigation with Phoebe Putney Health System, Inc., 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 nonoperating revenue 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. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Land improvements	15 to 20 Years
Buildings and improvements	20 to 40 Years
Equipment	3 to 7 Years

Financing Cost

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

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

Compensated Absences

Employees earn vacation days at varying rates depending on years of service. Vacation time not used at fiscal year-end can be carried over to the next year up to a maximum of 360 hours. Employees who are terminated can be paid for vacation hours not used pending certain criteria. Physicians employed by the Group are advanced the maximum annual hours allowed at the start of each contract year. These hours are varied by physician and are lost if not used.

The estimated amount of vacation payable is reported as an accrued expense in both 2021 and 2020.

Unearned Revenue

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

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 related to those assets that must be used for a particular purpose, as specified by grantors or contributors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 7. *Unrestricted net position* is the remaining net amount of assets and liabilities that does not meet the definition of *net investment in capital assets* or *restricted net position*.

Net Patient Service Revenue

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

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

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. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Authority receives grants from Ben Hill County and the State of Georgia as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 18 for additional information regarding CARES Act funding.

Restricted Resources

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

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.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

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. See Note 13 for additional information related to the Authority's general and professional coverage.

Estimated Insurance Costs

The provisions for estimated medical claims under the health insurance plan include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended July 31, 2021 and 2020.

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.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

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.

Accounting Pronouncement Not Yet Adopted

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 established standards of accounting and financial reporting by lessees and lessors. GASB 87 will require a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, with certain exceptions, and will require a lessor to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. GASB 87 is effective for fiscal years beginning after June 15, 2021, with GASB 95 deferral. The Authority is currently evaluating the impact GASB 87 will have on its financial statements.

2. Net Patient Service Revenue

The Authority has arrangements 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 54% and 6%, respectively, of the Authority's net patient revenue for the year ended July 31, 2021, and 51% and 8%, respectively, of the Authority's net patient revenue for the year ended July 31, 2020. 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.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

2. Net Patient Service Revenue, Continued

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. There has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

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

- Medicare

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

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

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 July 31, 2017.

- 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 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 July 31, 2018.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

2. Net Patient Service Revenue, Continued

• Medicaid, Continued

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 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 \$893,000 and \$497,000 for the years ended July 31, 2021 and 2020, respectively.

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 \$454,000 and \$235,000 for the years ended July 31, 2021 and 2020, respectively.

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 (DCH). The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$270,000 and \$272,000 relating to the Act are included in medical supplies and other in the accompanying statement of revenues, expenses and changes in net position for the years ended July 31, 2021 and 2020, 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.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2021 and 2020 were approximately \$59,879,000 and \$62,284,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$1,609,000 and \$2,890,000 in 2021 and 2020, respectively. The cost of charity and indigent care services provided during 2021 and 2020 was approximately \$559,000 and \$882,000, respectively computed by applying a total cost factor to the charges forgone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Gross patient charges	\$ <u>82,039,000</u>	\$ <u>82,953,000</u>
Uncompensated services:		
Charity and indigent care	1,609,000	2,890,000
Medicare	26,745,000	25,450,000
Medicaid	8,864,000	10,850,000
Other allowances	15,178,000	14,229,000
Bad debts	<u>7,483,000</u>	<u>8,865,000</u>
Total uncompensated care	<u>59,879,000</u>	<u>62,284,000</u>
Net patient service revenue, net of provisions for bad debts	<u>\$ 22,160,000</u>	<u>\$ 20,669,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

4. Bank Deposits and Investments

As discussed in Note 1, the Authority's investments are generally carried at fair value. The Authority's investments are measured using Level 1 inputs. Level 1 inputs are quoted prices in active markets for identical assets. Deposits and investments as of July 31, 2021 and 2020 are classified in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Deposits and investments consist of the following:		
Deposits with financial institutions	\$ 2,762,000	\$ 2,864,000
Certificates of deposit	75,000	75,000
Investments	<u>8,948,000</u>	<u>11,507,000</u>
 Total	 <u>\$ 11,785,000</u>	 <u>\$ 14,446,000</u>
 Balance sheets:		
Cash and cash equivalents	\$ 8,855,000	\$ 13,900,000
Short-term investments	75,000	75,000
Noncurrent cash and investments:		
Restricted by bond indenture for debt service	1,000	39,000
Restricted by donor for indigent care	37,000	37,000
Restricted by donor for hospice care	93,000	95,000
Designated by board	1,001,000	300,000
Other long-term investments	<u>1,723,000</u>	<u>-</u>
 Total	 <u>\$ 11,785,000</u>	 <u>\$ 14,446,000</u>

At July 31, 2021 and 2020, the Authority had \$8,948,000 and \$11,507,000 of investments held in the Authority's name by a brokerage firm that is an agent of the Authority. The investments consist primarily of cash and cash equivalents (\$1,306,000 at July 31, 2021), open-ended mutual funds (\$5,919,000 at July 31, 2021), and treasury bond exchange-traded funds (\$1,723,000 at July 31, 2021). The open-ended mutual funds have a weighted average maturity of approximately 2 to 15 years. The treasury bond fixed income exchange-traded funds have a weighted average maturity of approximately 7 to 20+ years and a AAA credit rating.

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. 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. The Authority's bank deposits at July 31, 2021 and 2020 are entirely insured or collateralized with securities held by the pledging financial institution's designated trustee in the Authority's name.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

4. Bank Deposits and Investments, Continued

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. The Authority does not have an investment policy for custodial credit risk. Cash and securities held in the Authority's brokerage account are protected by insurance coverage in the amount of \$500,000, which includes a \$250,000 limit for cash, through the Securities Investor Protection Corporation (SIPC).

The Authority's short-term investments as of July 31, 2021 consists of a 12-month certificate of deposit of \$75,000 with a maturity date of May 3, 2022.

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority consisted of the following amounts at July 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 10,761,000	\$ 11,127,000
Receivable from Medicare	3,672,000	2,968,000
Receivable from Medicaid	<u>786,000</u>	<u>542,000</u>
Total patient accounts receivable	15,219,000	14,637,000
Less allowance for uncollectible amounts and contractual allowances	<u>12,406,000</u>	<u>11,303,000</u>
Patient accounts receivable, net	<u>\$ 2,813,000</u>	<u>\$ 3,334,000</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 1,009,000	\$ 975,000
Payable to suppliers	1,338,000	2,366,000
Other	<u>78,000</u>	<u>551,000</u>
Total accounts payable and accrued expenses	<u>\$ 2,425,000</u>	<u>\$ 3,892,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

6. Capital Assets

A summary of capital assets at July 31, 2021 and 2020 follows:

	<u>2020</u> <u>Balance</u>	<u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>2021</u> <u>Balance</u>
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Construction-in-progress	<u>142,000</u>	<u>783,000</u>	<u>(84,000)</u>	<u>841,000</u>
 Total capital assets not being depreciated	 <u>227,000</u>	 <u>783,000</u>	 <u>(84,000)</u>	 <u>926,000</u>
 Land improvements	 283,000	 -	 -	 283,000
Buildings and improvements	20,299,000	56,000	-	20,355,000
Equipment	<u>11,284,000</u>	<u>1,141,000</u>	<u>-</u>	<u>12,425,000</u>
 Total capital assets being depreciated	 <u>31,866,000</u>	 <u>1,197,000</u>	 <u>-</u>	 <u>33,063,000</u>
 Less accumulated depreciation for:				
Land improvements	283,000	-	-	283,000
Buildings and improvements	14,663,000	677,000	-	15,340,000
Equipment	<u>10,041,000</u>	<u>332,000</u>	<u>-</u>	<u>10,373,000</u>
 Total accumulated depreciation	 <u>24,987,000</u>	 <u>1,009,000</u>	 <u>-</u>	 <u>25,996,000</u>
 Capital assets being depreciated, net	 <u>6,879,000</u>	 <u>188,000</u>	 <u>-</u>	 <u>7,067,000</u>
 Total capital assets, net	 <u>\$ 7,106,000</u>	 <u>\$ 971,000</u>	 <u>\$ (84,000)</u>	 <u>\$ 7,993,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

6. Capital Assets, Continued

	<u>2019</u> <u>Balance</u>	<u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>2020</u> <u>Balance</u>
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Construction-in-progress	<u>76,000</u>	<u>66,000</u>	<u>-</u>	<u>142,000</u>
 Total capital assets not being depreciated	 <u>161,000</u>	 <u>66,000</u>	 <u>-</u>	 <u>227,000</u>
 Land improvements	 283,000	 -	 -	 283,000
Buildings and improvements	20,299,000	-	-	20,299,000
Equipment	<u>11,241,000</u>	<u>35,000</u>	<u>8,000</u>	<u>11,284,000</u>
 Total capital assets being depreciated	 <u>31,823,000</u>	 <u>35,000</u>	 <u>8,000</u>	 <u>31,866,000</u>
 Less accumulated depreciation for:				
Land improvements	283,000	-	-	283,000
Buildings and improvements	13,968,000	695,000	-	14,663,000
Equipment	<u>9,567,000</u>	<u>466,000</u>	<u>8,000</u>	<u>10,041,000</u>
 Total accumulated depreciation	 <u>23,818,000</u>	 <u>1,161,000</u>	 <u>8,000</u>	 <u>24,987,000</u>
 Capital assets being depreciated, net	 <u>8,005,000</u>	 <u>(1,126,000)</u>	 <u>-</u>	 <u>6,879,000</u>
 Total capital assets, net	 <u>\$ 8,166,000</u>	 <u>\$ (1,060,000)</u>	 <u>\$ -</u>	 <u>\$ 7,106,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

7. Long-Term Debt and Capital Lease Obligations

A summary of long-term debt and capital lease obligations at July 31, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Revenue Anticipation Certificates, 2007 Series, principal maturing in varying annual amounts beginning July 1, 2010 and ending July 1, 2032. Interest payable semi-annually beginning July 1, 2008, including unamortized bond premium.	\$ 5,962,000	\$ 6,372,000
2.75% note payable, due in monthly installments of \$1,500 with final payment due December 2025, collateralized by equipment.	75,000	90,000
3.25% note payable, due in monthly installments of \$7,471 with final payment due November 2021, collateralized by equipment.	40,000	118,000
3.25% note payable, due in monthly installments of \$4,857 with final payment due November 2020, collateralized by equipment.	-	25,000
Variable interest rate note payable with an interest rate equal to the New York Prime rate plus 1.00% (5.25% at July 31, 2021), due in monthly installments of \$19,361 with final payment due March 2033, collateralized by equipment, furniture, and fixtures.	2,067,000	2,156,000
Paycheck Protection Program loans, with interest rate of 1.00%.	2,000,000	1,938,000
5.50% note payable, due in monthly installments of \$1,242 with final payment due November 2021, collateralized by equipment.	<u>5,000</u>	<u>17,000</u>
	10,149,000	10,716,000
Less current portion of long-term debt	<u>629,000</u>	<u>678,000</u>
Long-term debt, net of current portion	<u>\$ 9,520,000</u>	<u>\$ 10,038,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

7. Long-Term Debt and Capital Lease Obligations, Continued

	<u>2021</u>	<u>2020</u>
Capital lease obligations, at varying rates of interest, collateralized by leased equipment and software.	\$ 140,000	\$ 236,000
Less current portion of capital lease obligation	<u>55,000</u>	<u>84,000</u>
Capital lease obligation, net of current portion	<u>\$ 85,000</u>	<u>\$ 152,000</u>

Under the terms of the 2007 Series Revenue Certificate Indenture, the Authority is required to maintain certain deposits with a trustee. The required deposit amount was not met as of July 31, 2021 or 2020. The deposit is included with noncurrent cash and investments in the balance sheets. The Certificates also require that the Authority produce a debt service coverage ratio equal to or exceeding 110% during each year. The Authority met the required debt service coverage ratio in 2021 but did not produce the required debt ratio in 2020. Due to the Certificates being backed by the County, no further action is currently being required of the Authority.

The Revenue Anticipation Certificates, Series 2007 were issued by the Authority for the purpose of financing the costs of making capital improvements to the Dorminy Medical Center (Hospital). The Certificates bear an interest rate of 4.00% on the maturities through July 1, 2027 and 4.125% on the maturities after that date. The Certificates are collateralized by the gross operating revenues of the Authority. The Authority and Ben Hill County entered into a contract in which the Authority agreed to make the Hospital facilities and services available to the residents of Ben Hill County. The County agreed to make payments to the Authority in amounts sufficient to enable the Authority to pay the principal and interest on the Certificates to the extent the net operating revenues of the Authority are insufficient to make the payments, and the County agreed to levy an ad valorem tax on all taxable property within the County that may be necessary in each year to fulfill the County's obligation under the contract. Taxes received during fiscal years ended July 31, 2021 and 2020 were approximately \$9,000 and \$108,000, respectively. These amounts are reported as capital grants and contributions in the statements of revenues, expenses and changes in net position.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

7. Long-Term Debt and Capital Lease Obligations, Continued

The Series 2007 Certificates maturing on or before July 1, 2018, may not be called for optional redemption prior to maturity. The Certificates maturing on or after July 1, 2019 are subject to redemption prior to maturity at the option of the Authority on or after July 1, 2018, at a redemption price of 100% of principal plus accrued interest.

In 2018, the Authority obtained a loan from the Fitzgerald Water, Light and Bond Commission, an agency and instrumentality of the City of Fitzgerald, Georgia, for \$2,300,000. The debt was issued for the purpose of funding operations of the Authority. The debt has a variable interest rate equal to the New York Prime plus 1% and will be paid in monthly installments of \$19,361 with the final payment due March 2033. The debt is collateralized by the Authority's equipment, furniture, and fixtures.

In 2021 and 2020, the Authority received loan proceeds in the amount of approximately \$2,000,000 and \$1,938,000, respectively, under the Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the second PPP loan is payable over five years at an interest rate of 1 percent. The Authority believes its use of the proceeds is consistent with the PPP and applied for forgiveness. The Authority will recognize any forgiveness of the loan at the time the Authority is legally released from the debt. During fiscal year 2021, the Authority received full forgiveness for the loan proceeds received in 2020 from the Small Business Administration (SBA). The gain on forgiveness is reported as a nonoperating revenue in the statement of revenues, expenses, and changes in net position. Subsequent to year end, the SBA approved the forgiveness of the loan proceeds received in 2021.

The revenue certificate and notes payable contain provisions that in an event of default, the lenders may declare the debt due and payable immediately.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

7. Long-Term Debt and Capital Lease Obligations, Continued

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending July 31,	Revenue Bonds		Direct Borrowing/Placement		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 425,000	\$ 242,000	\$ 204,000	\$ 106,000	\$ 55,000	\$ 10,000
2023	445,000	225,000	152,000	130,000	61,000	5,000
2024	465,000	207,000	160,000	90,000	24,000	1,000
2025	485,000	188,000	168,000	82,000	-	-
2026	510,000	169,000	166,000	73,000	-	-
2026-2030	2,940,000	514,000	932,000	223,000	-	-
2031-2033	<u>676,000</u>	<u>28,000</u>	<u>405,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	5,946,000	<u>\$ 1,573,000</u>	2,187,000	<u>\$ 704,000</u>	<u>\$ 140,000</u>	<u>\$ 16,000</u>
Plus PPP loan	-		2,000,000			
Plus bond premium	<u>16,000</u>		<u>-</u>			
Total	<u>\$ 5,962,000</u>		<u>\$ 4,187,000</u>			

A schedule of changes in the Authority's long-term debt and capital lease obligations for 2021 and 2020 follows:

	2020 Balance	Additions	Reductions	Amortization	2021 Balance	Current Portion
Revenue certificates, Series 2007:						
Principal	\$ 6,355,000	\$ -	\$ 409,000	\$ -	\$ 5,946,000	\$ 425,000
Premium	16,000	-	-	-	16,000	-
Direct borrowings:						
Notes payable	4,345,000	2,000,000	2,158,000	-	4,187,000	204,000
Capital leases	<u>236,000</u>	<u>-</u>	<u>96,000</u>	<u>-</u>	<u>140,000</u>	<u>55,000</u>
Total long-term debt	<u>\$ 10,952,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,663,000</u>	<u>\$ -</u>	<u>\$ 10,289,000</u>	<u>\$ 684,000</u>

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

7. Long-Term Debt and Capital Lease Obligations, Continued

	<u>2019</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amortization</u>	<u>2020</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Revenue certificates, Series 2007:						
Principal	\$ 6,745,000	\$ -	\$ 390,000	\$ -	\$ 6,355,000	\$ 410,000
Premium	19,000	-	-	3,000	16,000	-
Direct borrowings:						
Notes payable	2,605,000	1,938,000	198,000	-	4,345,000	268,000
Capital leases	<u>303,000</u>	<u>-</u>	<u>67,000</u>	<u>-</u>	<u>236,000</u>	<u>84,000</u>
Total long-term debt	<u>\$ 9,672,000</u>	<u>\$ 1,938,000</u>	<u>\$ 655,000</u>	<u>\$ 3,000</u>	<u>\$ 10,952,000</u>	<u>\$ 762,000</u>

8. Management Agreement

Phoebe Putney Health System, Inc. (System) notified the Authority of its intent to terminate the management agreement with the Authority on March 7, 2014. As a part of the notice, the System requested payment of amounts owed by the Authority. These amounts include two lines-of-credit, a note payable and amounts included in the monthly billings. See schedule of amounts below:

	<u>2021</u>	<u>2020</u>
Lines-of-credit	\$ 1,705,000	\$ 1,705,000
Note payable	403,000	403,000
Trade payable	<u>20,385,000</u>	<u>20,385,000</u>
	22,493,000	22,493,000
Less: litigation settlement	(20,877,000)	-
Plus: accrued interest	<u>492,000</u>	<u>-</u>
Due to Phoebe Putney Health System, Inc.	<u>\$ 2,108,000</u>	<u>\$ 22,493,000</u>

In response, the Authority filed a complaint for breach of contract. In June 2022, a confession of judgment was filed with the Superior Court of Ben Hill County, Georgia, which contained the settlement agreement reached between the Authority and the System. The settlement agreement states the Authority will pay the System \$2,108,000 in annual installments beginning March 31, 2023, with the remaining annual payments being due on or before March 31 of each year. The annual payment amount will be equal to 10% of the annual amount received from the Georgia Rural Tax Credit program, or successor program, or \$200,000, whichever is less. The annual installments will be made each year until the

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

8. Management Agreement, Continued

obligation is paid in full. However, if the Georgia Rural Tax Credit program or successor program is extinguished or terminated, this obligation shall not be repaid. In addition, the Authority may also be required to pay the System an additional \$2,892,000 if certain triggering events occur within 14 years of the settlement agreement. After 14 years, this additional obligation will be satisfied. Such triggering events include: (a) any acquisition involving the Authority, except for a merger or association with an independent rural hospital, (b) any merger involving 50% or more of the total assets of the Authority, except for a merger or association with an independent rural hospital, (c) any reorganization of the Authority for the purpose of sale or lease of Authority assets, except for a merger or association with an independent rural hospital, (d) bankruptcy filing by the Authority, (e) entry into or ordering of a receivership with respect to the Authority, (f) closing of Dorminy Medical Center, (g) dissolution of the Authority, and (h) certain legal actions taken against the Authority. Management does not believe these triggering events are probable, and therefore has not included the additional accruals as of July 31, 2021. The financial statements include the effects of the settlement and a gain on litigation settlement is reflected in nonoperating revenues for the year ended July 31, 2021.

Effective July 18, 2014, the Authority entered into a management agreement with ER Hospital, Inc. for the purpose of providing management and administrative services. The initial term of this agreement is five years from the effective date. Management fees incurred under this agreement, including salaries and fringe benefits of certain management employees, was approximately \$1,744,000 and \$1,777,000 for 2021 and 2020, respectively.

9. 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.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

9. Commitments and Contingencies, Continued

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national and at 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 certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

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 13.

10. Concentration of Credit Risk

The Authority grants credit without collateral to patients substantially all of whom are local residents of Ben Hill County and the immediate surrounding counties of Georgia and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at July 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	30%	21%
Medicaid	4%	2%
Other third-party payors	43%	61%
Patients	<u>23%</u>	<u>16%</u>
Total	<u>100%</u>	<u>100%</u>

11. Employee Health Insurance

Effective January 1, 2017, the Authority purchased health insurance coverage for employees under which monthly premiums are paid to Blue Cross Blue Shield. Blue Cross Blue Shield is then responsible for payment of all claims. Total expenses relative to this plan were approximately \$0 and \$394,000 for July 31, 2021 and 2020, respectively.

On January 1, 2020, the Authority changed to a self-insured health insurance policy with Meritain Health under which the claim expenses are paid monthly. The total expenses relative to this plan were approximately \$893,000 and \$560,000 for July 31, 2021 and 2020, respectively.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

12. Retirement Plan

As of June 1, 2014, employees may participate in the Ben Hill County Hospital Authority, DBA Dorminy Medical Center 401(a) Plan, a defined contribution plan established by the Authority and administered by VALIC to provide benefits at retirement to substantially all employees of the Authority. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors.

Employees may make voluntary contributions to the Plan. The Authority matches employee contributions up to a maximum of 3% of the employees' annual compensation. The Authority's matching contributions during 2021 and 2020 were \$125,000 and \$156,000, respectively. The Authority had no liability outstanding related to the Plan at July 31, 2021 and 2020.

Employees are vested immediately in their contributions. Vesting in the Authority's contribution portion of their accounts is based on years of continuous services. Forfeited nonvested accounts may be used to pay Plan expenses. The Authority recognized no forfeitures in pension expense during 2021 or 2020.

13. Malpractice Insurance

The Authority is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy for July 31, 2021 and 2020 are \$1 million per occurrence and \$3 million in aggregate. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority.

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

14. Fair Values of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, short-term investments, accounts payable, accrued expenses, and estimated third-party payor settlements, CARES Act unearned revenue, Medicare advance payments:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.
- *Noncurrent cash and investments:* Amounts reported in the balance sheet are at fair value. See Notes 1 and 4 for fair value measurement disclosures.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

14. Fair Values of Financial Instruments, Continued

- *Long-term debt:* The fair value of the Authority's Certificates is estimated based on the quoted market value for same or similar debt instruments. 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. 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 July 31, 2021 and 2020 are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 10,149,000	\$ 11,285,000	\$ 10,716,000	\$ 10,802,000

15. Related Party Transactions

The Dorminy Medical Center Foundation (Foundation) was incorporated on November 4, 1985. The Foundation began operations during the year ended July 31, 1986 and received its determination letter approving its tax-exempt status from the Internal Revenue Service. The Foundation's tax-exempt status was revoked as of October 15, 2016. The purpose of the Foundation is to solicit contributions for the benefit of the Authority. Because of the existence of common directors and other factors, the Authority and the Foundation are related parties.

On September 6, 2018, the tax-exempt status was retroactively reinstated by the Internal Revenue Service from the date of revocation.

A summary of the Foundation's financial position and changes in net assets as of July 31, 2021 and 2020 are as follows:

	2021	2020
Assets:		
Cash and cash equivalents	\$ 76,540	\$ 49,052
Net assets:		
Net assets	\$ 76,540	\$ 49,052
Support and revenue	\$ 30,063	\$ 4,401
Expenses	(2,575)	(7,396)
Net assets, beginning of year	49,052	52,047
Net assets, end of year	\$ 76,540	\$ 49,052

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

16. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar year 2021 and 2020. Contributions received under the program approximated \$3,575,000 and \$2,745,000 during fiscal years 2021 and 2020, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

17. Going Concern

The Authority reported a change in net position of \$29,757,000 and \$(1,973,000) in 2021 and 2020, respectively. The Authority has a net position of \$4,199,000 at July 31, 2021 and \$(25,558,000) at July 31, 2020. The Authority reported operating losses of \$5,744,000 and \$4,554,000 in 2021 and 2020, respectively. These issues raise substantial doubt about the Authority's ability to continue as a going concern.

Continuous operating losses and resulting cash flow difficulties - Management has developed a plan to improve the Authority's financial position which includes additional marketing to increase geriatric psychiatric patients.

Rural hospital tax credit - The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program. Subsequent to fiscal year-end, the Authority has received and/or been approved by the State to receive approximately \$3,716,000 in donations.

Amounts owed to Phoebe Putney Health Systems, Inc. - The Authority and the System reached a settlement subsequent to year end. See Note 8 for additional information.

Coronavirus Aid, Relief and Economic Security Act (CARES Act) - 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. See disclosures in Note 18.

18. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Authority's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

18. Coronavirus (COVID-19), Continued

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.

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 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. 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. In 2021 and 2020, the Authority received \$0 and \$11,615,000, respectively, and recognized \$9,411,000 and \$0, respectively, in grant stimulus funding. CARES Act funding may be subject to audits. While the Authority currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

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 percent of Medicare payments otherwise owed to the Authority for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent 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 four percent. In April 2020, the Authority received \$2,345,000 in advanced payments. At July 31, 2021, the balance of advance payments to be repaid was \$2,118,000.

In FY 2020, the Authority received the following program funding:

- \$30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed \$30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received approximately \$416,000 in funding from this distribution.

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

18. Coronavirus (COVID-19), Continued

In FY 2020, the Authority received the following program funding:

- \$30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed \$30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received approximately \$416,000 in funding from this distribution.
- \$20 Billion General Distribution (2nd round) - On April 24, 2020, HHS distributed \$20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submissions. The Authority received approximately \$378,000 in funding from this distribution.
- \$10 Billion Rural Distribution - On May 6, 2020, HHS distributed \$10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Authority received approximately \$3,660,000 in funding from this distribution.
- \$10 Billion Safety Net Hospitals Distribution - On June 12, 2020, HHS distributed \$10 billion to almost 800 providers that disproportionately serve Medicaid recipients and the uninsured. The Authority received approximately \$5,103,000 in funding from this distribution.
- \$10 Billion High-Impact Distribution (2nd round) - On July 17, 2020, HHS distributed \$10 billion to hospitals with over 160 COVID-19 admissions between January 1, 2020 and June 10, 2020, one admission per day, or a disproportionate intensity of COVID admissions. The Authority received approximately \$1,950,000 in funding from this distribution.
- \$4.9 Million Small Rural Hospital Improvement Program (SHIP) Grant - On April 22, 2020, HHS appropriated approximately \$4.9 million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to 58 rural hospitals in Georgia for the purpose of preventing, preparing for, and responding to COVID-19. The Authority received approximately \$84,000 in funding from this grant.

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020, and extended to March 31, 2022 with subsequent legislation. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.
- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.