CLINCH COUNTY HOSPITAL AUTHORITY

FINANCIAL STATEMENTS

for the years ended June 30, 2022 and 2021

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C O N T E N T S

Draffin Tucker

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Clinch County Hospital Authority
Homerville, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Clinch County Hospital Authority, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Clinch County Hospital Authority as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022 Clinch County Hospital Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

Continued

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 Clinch County Hospital 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 judgement 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 Clinch County Hospital 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 Clinch County Hospital 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 November 29, 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
November 29, 2022

CLINCH COUNTY HOSPITAL AUTHORITY

BALANCE SHEETS
June 30, 2022 and 2021

	2022	Restated 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,451,000	$ 4,472,000
Short-term investments designated for debt service	379,000	369,000
Patient accounts receivable, net of estimated uncollectibles of $1,610,000 in 2022 and $4,677,000 in 2021	1,502,000	3,019,000
Estimated third-party payor settlements	1,275,000	-
Supplies, at lower of cost (first-in-first-out) or market	683,000	747,000
Other current assets	658,000	312,000
Total current assets	7,948,000	8,919,000
Noncurrent cash and investments:		
Restricted for reserve fund	830,000	830,000
Restricted by contributors	178,000	-
Total noncurrent cash and investments	1,008,000	830,000
Capital assets:		
Non-depreciable capital assets	268,000	967,000
Depreciable capital assets, net of accumulated depreciation	6,308,000	5,908,000
Intangible right-to-use lease assets, net of accumulated amortization	51,000	61,000
Total capital assets, net	6,627,000	6,936,000
Total assets	$ 15,583,000	$ 16,685,000

Continued

BALANCE SHEETS, Continued
June 30, 2022 and 2021

	2022	Restated 2021
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	$ 644,000	$ 799,000
Line-of-credit	-	44,000
Current maturities of lease liabilities	22,000	31,000
Medicare accelerated payments, current portion	914,000	2,278,000
Accounts payable	815,000	814,000
Accrued expenses	583,000	446,000
Estimated third-party payor settlements	-	828,000
Unearned CARES and ARP Act funding	775,000	-
Total current liabilities	3,753,000	5,240,000
Medicare accelerated payments, net of current portion	-	659,000
Lease liabilities, net of current maturities	30,000	30,000
Long-term debt, net of current maturities	9,465,000	10,521,000
Total liabilities	13,248,000	16,450,000
Net position:		
Net investment in capital assets	(3,384,000)	(3,163,000)
Restricted:		
Expendable	1,008,000	830,000
Unrestricted	4,711,000	2,568,000
Total net position	2,335,000	235,000
Total liabilities and net position	$ 15,583,000	$ 16,685,000

See accompanying notes to financial statements.

CLINCH COUNTY HOSPITAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended June 30, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
Net patient service revenue (net of provision for bad debts of $1,665,000 in 2022 and $1,755,000 in 2021)	$ 15,505,000	$ 12,721,000
Other	889,000	576,000
Total operating revenues	16,394,000	13,297,000
Operating expenses:		
Salaries and wages	6,535,000	6,228,000
Employee health and welfare	1,800,000	1,361,000
Supplies and other	4,164,000	4,179,000
Professional services	2,243,000	1,978,000
Contracted services	2,122,000	1,436,000
Depreciation and amortization	773,000	706,000
Total operating expenses	17,637,000	15,888,000
Operating loss	(1,243,000)	(2,591,000)
Nonoperating revenues (expenses):		
Unrestricted gifts and bequests	299,000	184,000
CARES and ARP Act funding	-	3,824,000
Forgiveness of PPP Loan	1,138,000	1,144,000
Investment income and other	31,000	55,000
County tax revenues	1,184,000	1,171,000
Rural hospital stabilization grant	881,000	-
Noncapital restricted contributions	178,000	-
Interest expense	(396,000)	(433,000)
Total nonoperating revenues	3,315,000	5,945,000
Excess of revenues over expenses	2,072,000	3,354,000
Capital contributions	28,000	-
Increase in net position	2,100,000	3,354,000
Net position, beginning of year	235,000	(3,119,000)
Net position, end of year	$ 2,335,000	$ 235,000

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
for the years ended June 30, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities:		
Cash received from patients and payors	$ 15,808,000	$ 12,496,000
Cash payments to vendors and other suppliers	(8,810,000)	(8,454,000)
Cash payments to employees	(8,198,000)	(7,699,000)
Medicare accelerated payments	(2,023,000)	(225,000)
Net cash used by operating activities	(3,223,000)	(3,882,000)
Cash flows from noncapital financing activities:		
CARES and ARP Act funding	775,000	18,000
Rural hospital stabilization grant	881,000	-
Proceeds from long-term debt	-	1,131,000
County tax revenues	1,184,000	1,171,000
Noncapital grants and contributions	477,000	184,000
Net cash provided by noncapital financing activities	3,317,000	2,504,000
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	530,000	331,000
Proceeds from line-of-credit	-	394,000
Payments on line-of-credit	(44,000)	(350,000)
Principal paid on long-term debt	(610,000)	(520,000)
Interest paid on long-term debt	(394,000)	(431,000)
Principal paid on lease liabilities	(33,000)	(30,000)
Interest paid on lease liabilities	(2,000)	(2,000)
Purchase of property and equipment	(412,000)	(1,828,000)
Net cash used by capital and related financing activities	(965,000)	(2,436,000)
Cash flows from investing activities:		
Interest on investments	31,000	55,000
Purchase of investments	(3,000)	(500,000)
Net cash provided (used) by investing activities	28,000	(445,000)
Net decrease in cash and cash equivalents	(843,000)	(4,259,000)
Cash and cash equivalents, beginning of year	4,476,000	8,735,000
Cash and cash equivalents, end of year	$ 3,633,000	$ 4,476,000

Continued

STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2022 and 2021

	2022	Restated 2021
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 3,451,000	$ 4,472,000
Cash and cash equivalents in noncurrent cash and investments:		
Restricted for reserve fund	4,000	4,000
Restricted by contributors	178,000	-
Total cash and cash equivalents	$ 3,633,000	$ 4,476,000
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	$(1,243,000)	$(2,591,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	773,000	706,000
Provision for bad debts	1,665,000	1,755,000
Changes in:		
Net patient accounts receivable	(148,000)	(2,946,000)
Estimated third-party payor settlements	(2,103,000)	390,000
Supplies	64,000	(455,000)
Other current assets	(346,000)	(152,000)
Accounts payable	1,000	(254,000)
Other accrued expenses	137,000	(110,000)
Medicare accelerated payments	(2,023,000)	(225,000)
Net cash used by operating activities	$(3,223,000)	$(3,882,000)

Supplemental disclosure of cash flow information:

- The Authority entered into lease obligations of approximately $24,000 and $14,000 for new equipment in 2022 and 2021, respectively.
- The Authority received donated capital equipment with a value of $28,000 in 2022.
- See Note 8 for additional information regarding the forgiveness of the Authority's Paycheck Protection Program loan.

See accompanying notes to financial statements.

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

Reporting Entity

The Clinch County Hospital Authority (Authority) is a public corporation which, operates Clinch Memorial Hospital, a 25 bed Critical Access Hospital. The Authority is comprised of a Board of Directors, which has the right to approve major expenditures and long-term borrowings.

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.

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

Enterprise Fund Accounting

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

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

Cash and Cash Equivalents

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

Investments

Investments include certificates of deposit recorded at cost which approximate fair market value.

Allowance for Doubtful Accounts

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

Continued

1. Description of Reporting Entity and 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; and employee health and accident benefits. Commercial insurance coverage, with the exception of employee health and accident benefits, is purchased for claims arising from such matters. Settled claims did not exceed commercial coverage in any of the three preceding years. In January 2021, the Authority became self-insured for employee health insurance, See Note 13. See Note 12 for additional information related to the Authority's general and professional coverage.

Estimated Self-Insurance Costs

The provisions for estimated claims under self-insurance plans 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 June 30, 2022 and 2021.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets restricted for the USDA loan reserve fund and donor restricted contributions.

Grants and Contributions

From time to time, the Authority receives grants from Clinch 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.

Continued

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

Restricted Resources

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

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 leased assets 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
Right-to-use lease assets	3 to 7 Years

Costs of Borrowing

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES and ARP Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 21 for additional information.

Net Position

Net position of the Authority is classified in three components. *Net investment in capital assets* consist 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 net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees. *Unrestricted net position* is remaining net assets that do not meet the definition of *net investment in capital assets* or *restricted*.

Continued

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

Financing Cost

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

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 vacation days at varying rates depending on years of service. Employees may accumulate vacation leave up to 275 hours. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to 205 hours. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Authority may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. The estimated amount of compensated absences is reported as a current liability in both 2022 and 2021.

Net Patient Service Revenue

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

Charity Care

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

Continued

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

Income Taxes

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

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 No. 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB No. 72 describes the following three levels of inputs that may be used:

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

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

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

Recently Adopted Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes standards of accounting and financial reporting by lessees and lessors and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. 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. The Authority adopted GASB 87 on July 1, 2021, and retroactively implemented the statement effective July 1, 2020. The adoption of this statement resulted in an increase in lease obligations and related right-to-use lease assets of approximately $77,000, as of July 1, 2020. The adoption had no impact on net position.

Continued

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

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2021 financial statements to conform to the fiscal year 2022 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

2. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 59% and 1%, respectively, of the Authority's net patient revenue for the year ended 2022, and 60% and 1%, respectively, of the Authority's net patient revenue for the year ended 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACS have 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 Medicare and Medicaid programs.

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

- Medicare

  Effective July 21, 2000, 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.

2. Net Patient Service Revenue, Continued

- Medicare, Continued

  The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through June 30, 2018.

- 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 June 30, 2019.

  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 $501,000 and $350,000 for the years ended June 30, 2022 and 2021, 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 $117,000 and $58,000 for the years ended June 30, 2022 and 2021, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Other Arrangements

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

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2022 and 2021 were approximately $1,828,000 and $6,745,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $167,000 and $103,000 in 2022 and 2021, respectively. The cost of charity and indigent care services provided during 2022 and 2021 was approximately $170,000 and $84,000, 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 2022 and 2021.

	2022	2021
Gross patient charges	$ 17,333,000	$ 19,466,000
Uncompensated services:		
Charity and indigent care	167,000	103,000
Medicare	(2,050,000)	3,296,000
Medicaid	918,000	823,000
Other allowances	1,128,000	768,000
Bad debts	1,665,000	1,755,000
Total uncompensated care	1,828,000	6,745,000
Net patient service revenue	$ 15,505,000	$ 12,721,000

4. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. The Authority does not have a deposit policy for custodial credit risk. The Authority's bank deposits at June 30, 2022 and 2021 are entirely insured or collateralized with securities held by the pledging financial institutions designated trustee in the Authority's name.

Continued

4. Deposits and Investments, Continued

Custodial Credit Risk - Deposits, Continued

As discussed in Note 1, the Authority's investments approximate fair value. Deposits and investments as of June 30, 2022 and 2021 are classified in the accompanying financial statements as follows:

	2022	2021
Balance sheets:		
Cash and cash equivalents	$ 3,451,000	$ 4,472,000
Short-term investments	379,000	369,000
Noncurrent cash and investments:		
Restricted for reserve fund	830,000	830,000
Restricted by contributors	178,000	-
Total	$ 4,838,000	$ 5,671,000
Deposits and investments consist of the following:		
Deposits with financial institutions	$ 2,258,000	$ 1,518,000
Money market accounts	1,375,000	2,958,000
Subtotal deposits	3,633,000	4,476,000
Certificates of deposit	1,205,000	1,195,000
Total deposits and investments	$ 4,838,000	$ 5,671,000

Investments

As of June 30, 2022:

Investment Type	Amount	Maturity
Certificate of deposit	$ 699,000	March 27, 2024
Certificate of deposit	506,000	August 17, 2022
Total	$ 1,205,000	

As of June 30, 2021:

Investment Type	Amount	Maturity
Certificate of deposit	$ 690,000	March 27, 2022
Certificate of deposit	505,000	August 17, 2021
Total	$ 1,195,000	

Continued

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at June 30, 2022 and 2021 consisted of these amounts:

	2022	2021
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 1,506,000	$ 2,192,000
Receivable from Medicare	1,226,000	5,156,000
Receivable from Medicaid	380,000	348,000
Total patient accounts receivable	3,112,000	7,696,000
Less allowance for uncollectible amounts and contractual adjustments	1,610,000	4,677,000
Patient accounts receivable, net	$ 1,502,000	$ 3,019,000
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 583,000	$ 446,000
Payable to suppliers	815,000	814,000
Total accounts payable and accrued expenses	$ 1,398,000	$ 1,260,000

Continued

6. Capital Assets

A summary of capital assets at June 30, 2022 and 2021 follows:

	Restated Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 268,000	$ -	$ -	$ 268,000
Construction-in-progress	699,000	133,000	(832,000)	-
Total capital assets not being depreciated	967,000	133,000	(832,000)	268,000
Capital assets being depreciated:				
Land improvements	749,000	-	-	749,000
Buildings and improvements	11,767,000	1,009,000	-	12,776,000
Equipment	6,593,000	130,000	-	6,723,000
Total capital assets being depreciated	19,109,000	1,139,000	-	20,248,000
Less accumulated depreciation:				
Land improvements	734,000	1,000	-	735,000
Buildings and improvements	7,373,000	400,000	-	7,773,000
Equipment	5,094,000	338,000	-	5,432,000
Total accumulated depreciation	13,201,000	739,000	-	13,940,000
Capital assets being depreciated, net	5,908,000	400,000	-	6,308,000
Leased equipment	91,000	24,000	-	115,000
Less: accumulated amortization for leased equipment	30,000	34,000	-	64,000
Intangible right-to-use lease assets, net	61,000	(10,000)	-	51,000
Total capital assets, net	$ 6,936,000	$ 523,000	$(832,000)	$ 6,627,000

Continued

6. Capital Assets, Continued

	Restated Balance June 30, 2020	Increases	Decreases	Restated Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 268,000	$ -	$ -	$ 268,000
Construction-in-progress	124,000	1,005,000	(430,000)	699,000
Total capital assets not being depreciated	392,000	1,005,000	(430,000)	967,000
Capital assets being depreciated:				
Land improvements	749,000	-	-	749,000
Buildings and improvements	10,888,000	879,000	-	11,767,000
Equipment	6,219,000	374,000	-	6,593,000
Total capital assets being depreciated	17,856,000	1,253,000	-	19,109,000
Less accumulated depreciation:				
Land improvements	733,000	1,000	-	734,000
Buildings and improvements	7,009,000	364,000	-	7,373,000
Equipment	4,783,000	311,000	-	5,094,000
Total accumulated depreciation	12,525,000	676,000	-	13,201,000
Capital assets being depreciated, net	5,331,000	577,000	-	5,908,000
Leased equipment	77,000	14,000	-	91,000
Less: accumulated amortization for leased equipment	-	30,000	-	30,000
Intangible right-to-use lease assets, net	77,000	(16,000)	-	61,000
Total capital assets, net	$ 5,800,000	$ 1,566,000	$(430,000)	$ 6,936,000

Continued

7. Line-of-Credit

In August 2020, the Authority entered into a promissory note for a line-of-credit with a borrowing limit of $500,125. The revolving line-of-credit incurs interest monthly at a fixed per annum rate of 2.00% with a maturity date on August 17, 2021. The line-of-credit was paid off on July 8, 2021. The line is secured by a portion of the Authority's certificates of deposit. Activity on the line-of-credit during the years ended June 30, 2022 and 2021, was as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Direct borrowing:				
Line-of-credit	$ 44,000	$ -	$(44,000)	$ -

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Direct borrowing:				
Line-of-credit	$ -	$ 394,000	$(350,000)	$ 44,000

8. Long-Term Debt

A schedule of changes in the Authority's long-term debt for the years ended June 30, 2022 and 2021 follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Direct borrowing:					
Note payable - USDA	$ 9,559,000	$ -	$(442,000)	$ 9,117,000	$ 463,000
Note payable - SBA Disaster	150,000	-	-	150,000	-
Note payable - SBA Paycheck Protection	1,131,000	-	(1,131,000)	-	-
Note payable - Slash Pine	314,000	530,000	(71,000)	773,000	112,000
Financed equipment:					
Mindray	38,000	-	(21,000)	17,000	17,000
Olympus	110,000	-	(67,000)	43,000	43,000
Marlin	18,000	-	(9,000)	9,000	9,000
Total long-term debt	$ 11,320,000	$ 530,000	$(1,741,000)	$ 10,109,000	$ 644,000

Continued

8. Long-Term Debt, Continued

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Direct borrowing:					
Note payable - USDA	$ 9,985,000	$ -	$(426,000)	$ 9,559,000	$ 444,000
Note payable - SBA Disaster	150,000	-	-	150,000	5,000
Note payable - SBA Paycheck Protection	1,131,000	1,131,000	(1,131,000)	1,131,000	219,000
Note payable - Slash Pine	-	331,000	(17,000)	314,000	40,000
Financed equipment:					
Mindray	53,000	-	(15,000)	38,000	19,000
Olympus	161,000	-	(51,000)	110,000	61,000
Marlin	29,000	-	(11,000)	18,000	11,000
Total long-term debt	$ 11,509,000	$ 1,462,000	$(1,651,000)	$ 11,320,000	$ 799,000

The terms and due dates of the Authority's long-term debt, including financed equipment obligations, at June 30, 2022 and 2021 follows:

- 4.125% note payable, USDA loan for construction of new hospital, collateralized by new building and equipment, due February 2037.

- On April 24, 2020, the Authority received loan proceeds in the amount of approximately $1,131,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying businesses. The loans and accrued interest are forgivable after the covered period as long as the borrower users 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 PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months after the covered period. During 2021, the Authority received final forgiveness approval from Small Business Administration (SBA). The gain on forgiveness is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position.

Continued

8. Long-Term Debt, Continued

- On February 11, 2021, the Authority received a 2nd draw with loan proceeds in the amount of approximately $1,131,000 under the Paycheck Protection Program (PPP). The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first ten months after the covered period. During 2022, the Authority received final forgiveness approval from Small Business Administration (SBA). The gain on forgiveness is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position.

- 2.750% SBA Disaster Loan - 30-year note payable with payments deferred until December 1, 2022, due November 2052.

- In January 2021, the Authority was approved for a $1 million loan from the Rural Economic Development Loan and Grant (REDLG) program. Through the REDLG program, USDA provides zero-interest loans and grants to Rural Utilities Service Electric Program and Telecom Program borrowers who will use the funds to help local businesses finance projects that will create and retain jobs. The Authority's loan is administered through Slash Pine Electric Membership Corporation. As of June 30, 2022, the Authority has requested approximately $861,000 with a maturity of May 2029.

- 6.350% financed equipment, Mindray DS USA, Inc., due April 2023.

- 0.220% financed equipment, Olympus America, Inc., due February 2023.

- 8.837% financed equipment, Marlin Capital Solutions, due March 2023.

Under the terms of the USDA note payable, the Authority is required to maintain certain deposits in reserve. Such deposits are included with restricted cash and investments in the balance sheet. All notes payable contain a provision that in an event of default, outstanding amounts may become immediately due and payable.

Continued

8. Long-Term Debt, Continued

Scheduled principal and interest repayments on long-term debt, including financed equipment payments, are as follows:

	Long-Term Debt and Financed Equipment	
Year Ending June 30	Principal	Interest
2023	$ 644,000	$ 373,000
2024	597,000	356,000
2025	615,000	335,000
2026	638,000	312,000
2027	661,000	289,000
2028-2032	3,323,000	1,077,000
2033-2037	3,532,000	369,000
2038-2042	26,000	12,000
2043-2047	30,000	8,000
2048-2052	35,000	4,000
2053	8,000	-
Total	$ 10,109,000	$ 3,135,000

9. Leases

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

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

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

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

Continued

9. Leases, Continued

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

Lease assets are reported with capital assets and lease liabilities are reported with current and noncurrent liabilities on the balance sheets.

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.

A schedule of changes in the Authority's lease liabilities for 2022 and 2021 follows:

	2021 Balance	Additions	Reductions	2022 Balance	Amounts Due Within One Year
Lease liabilities	$ 61,000	$ 24,000	$(33,000)	$ 52,000	$ 22,000

	2020 Balance	Additions	Reductions	2021 Balance	Amounts Due Within One Year
Lease liabilities	$ 77,000	$ 14,000	$(30,000)	$ 61,000	$ 31,000

Scheduled principal and interest payments on lease liabilities are as follows:

Year Ending June 30	Principal	Interest
2023	$ 22,000	$ 1,000
2024	15,000	1,000
2025	11,000	-
2026	3,000	-
2027	1,000	-
Total	$ 52,000	$ 2,000

Continued

9. Leases, Continued

Expenses for the leasing activity of the Authority as the lessee for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Short-term lease expense	$ 228,000	$ 210,000
Right-to-use lease asset amortization	34,000	30,000
Lease liability interest expense	2,000	2,000
Total lease cost	$ 264,000	$ 242,000

10. Health Care Reform

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

11. Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. See Note 5 for the mix of receivables from patients and third-party payors at year end.

12. Malpractice Insurance

The Authority is covered by a claims-made general and professional liability insurance policy with a $10,000 deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2022 and 2021 are $1 million per occurrence and $3 million in aggregate.

Various claims and assertions may be 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.

Continued

13. Health Insurance

In January 2021, the Authority became self-insured for employee health claims. The self-insurance program has a third-party administrator to process and pay claims. The Authority reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of $44,000 for each individual employee through a sponsored captive insurance company. Total health insurance expenses for the Authority were approximately $1,226,000 and $790,000 for 2022 and 2021, respectively.

14. Retirement Plan

The Authority offers an employee benefit plan created in accordance with Internal Revenue Code Section 403(b) and is administered by MetLife. The plan is available to all employees who have completed one year and more than 1,000 hours of service. The Authority matched contributions of 3% of the employee's salary in 2022 and 2021. Participant's interest in amounts contributed by the participant vest immediately. Participant's interest in amounts contributed by the Authority vest under the plan at rates of 0% under 2 years of service, 25% after 2 years of service, 50% after 3 years of service, 75% after 4 years of service, 100% after 5 or more years of service. Forfeited nonvested accounts may be used by the Authority to reduce the fees associated with the plan. The Authority recognized no forfeitures in pension expense during 2022 or 2021.

The Authority's contributions are invested in accordance with the investment elections made by the participant. The Authority contributed approximately $51,000 and $93,000 for the years ended June 30, 2022 and 2021, respectively.

15. 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.

16. County Support

The Authority receives funds from Clinch County, Georgia primarily for operations of the Hospital. Funds received for the years ended June 30, 2022 and 2021 were approximately $1,184,000 and $1,171,000, respectively. In August 2022, the County Commissioners issued a resolution to continue to provide the 4 tax mills for calendar year 2022 taxable property revenues. The revenues are recorded as nonoperating revenues in the statements of revenues, expenses and changes in net position.

Continued

17. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2024. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for 2022 and 2021. Contributions received under the program approximated $284,000 and $149,000 during 2022 and 2021, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year. Amounts received under the program are recorded as unrestricted gifts and bequests in the statements of revenues, expenses, and changes in net position.

18. Management Agreement

Effective August 1, 2018, the Authority entered into a Management Services Agreement with the Hospital Authority of Miller County (Miller). Miller will provide Clinch with management services in the form of certain business, operational, quality, and other support. The term of the agreement is for two (2) years and shall automatically renew for one (1) year unless notice of termination is given. The Authority paid approximately $295,000 and $423,000 in 2022 and 2021, respectively, for management fees. The Management Services Agreement will expire effective July 31, 2022.

19. Operational Improvement Plan

The Authority began a thorough strategic direction initiative in 2016, prompted by the Hospital's declining utilization, financial limitations, and limited leverage as a stand-alone, independent rural community hospital. Certain outcomes of these plans are unknown due to the uncertainty in national healthcare reform that is ever changing.

The Authority conducted a complete operational assessment during fiscal year 2016 and has continued to reassess through 2022. They derived from that assessment a highly detailed action plan identifying opportunities for improved operational efficiency, cost savings, and growth in revenue. Due to the effects of the COVID-19 coronavirus, some of the plans have been further modified or delayed.

The following items below outline action points implemented or under consideration:

(1) In August 2016, the Hospital Authority approached the County Commission requesting additional funding from the County. After several meetings, the Commissioners voted to increase the mills payable to the Hospital from 2.6 to 4.0. The additional 1.4 mills equate to approximately $300,000, annually. Tax monies received are reported as nonoperating revenues. The County Commissioners have agreed to provide the 4.0 mills through calendar year 2022. A request must be made annually. See Note 16 for additional information.

Continued

19. Operational Improvement Plan, Continued

(2) To increase swing-bed volume, the Authority, in August of 2018, partnered with Miller County in Colquitt, Georgia, to provide care for patients that are in need of long-term ventilators and or trachs. The goal is to provide care for an average of 10 swing bed patients per day. The Authority has also increased its ability to admit more swing bed patients to the Hospital by having a Hospital employed physician. As a result of this partnership, the Authority is seeing improved operations from the swing bed program. In 2021, the Authority met the goal of 10 patients per day; however due to staffing constraints, the Authority was not able to collect all of the accounts as planned. Investments in qualified staff heavily experienced in Revenue Cycle management have been made by the Authority, including outsourcing of the billing office. Collections on gross accounts receivable have seen significant improvements.

(3) During the 2016 Georgia General Assembly, Senate Bill 258 was passed which will allow an individual or corporation to receive a state tax credit for making a donation to certain qualified rural hospital organizations. In 2017, Senate Bill 180 was passed which enhanced the previously passed Senate Bill 258. The total amount of tax credits available in the State are $60 million per year through 2022. In 2022, House Bill 1041 increased the cap to $75 million annually for 2023 and 2024.

For each calendar year of the credit, no more than $4 million shall be approved for any individual rural hospital organization. See Note 17 for amounts received during fiscal years 2021 and 2022.

The Authority has partnered with Georgia Heart and is pursuing donations through the rural hospital tax credit. Through targeted efforts, donations received from the credit increased in 2022. The Authority continues to seek donations through education provided on social media, advertising in local newspapers and by mailing educational boxes to CPA firms in Atlanta and Glynn County. There is no guarantee for these donations.

(4) The Authority has hired an Internist who started practice in August of 2019, in addition to one other Family Nurse Practitioner. Together, these two providers were seeing patients in the newly renovated Clinch Memorial Family Practice and providing hospitalist services at the hospital. In 2021, the Authority lost the sole nurse practitioner and replaced him with a Family Medicine Physician. The Authority is working on recruiting two more mid-level providers to share the workload of the hospital, CMFP in Homerville and the new expansion in Fargo, GA. The replacement Family Medicine provider tragically passed away in December 2021. This presented a significant loss to our hospital, impeded the momentum started, and placed significant strain on the one remaining provider. Recruitment efforts started immediately to replace the physician with a Nurse Practitioner who started in May of 2022. Key employee insurance will be purchased in 2022 to cover losses and expenses due to unexpected circumstances that would contribute to the loss of a provider.

Continued

19. Operational Improvement Plan, Continued

(5) Through the partnership with Miller County Hospital Authority to provide swing bed services for patients on ventilators and or trachs who need rehabilitative care, volume for this service line is not as robust as it once was. This is due to many factors that include, but are not limited to staffing, bed availability in an accepting hospital and decreased referrals. The Authority has shifted more focus to admitting swing bed patients that do not require such a high level of care in hopes of maintaining a daily average census of eight swing beds. New partnerships and referral sources for the vent/trach program are being developed in hopes to renew the floundering volume in that service line.

(6) The Authority became partially self-funded in 2021 by joining a captive of rural hospitals in Texas. This move from a fully insured State Health Benefit plan was to prevent exorbitant premium increases and to help drive business to the hospital and family practice. The captive helped reduce health insurance expenses by 50% and saved the Authority an 80% increase in their usual premium in 2021. Health insurance expenses remain below anticipated increase in premiums under purchased insurance plan in 2022.

(7) The Authority terminated a long-standing contract with their previous pharmacy provider and has hired Pharm D for pharmacy management. They have on behalf of the Hospital, obtained a retail pharmacy license in hopes to increase revenue by offering a retail service to the community. The retail pharmacy opened the summer of 2021 and is doing well.

(8) The Authority contracted with a new physical therapy provider and has expanded the hours of service in addition to service lines that were not available before. Revenue has increased in this department in addition to assisting in growing the swing bed services by providing occupational and speech therapy.

20. 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, state, and federal governments, and impact on the Authority’s patients, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority’s financial position or results of operations is uncertain.

Continued

21. CARES and ARP Act Funding

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

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) expanded the Medicare Accelerated and Advance Payment (MAAP) program to increase cash flow to healthcare providers impacted by the COVID-19 pandemic. In April 2020, the Authority received approximately $3,162,000 in MAAP payments. The MAAP payments must be repaid and recoupment begins one year after the date of receipt. Medicare will recoup 25% of Medicare payments owed to the Authority for eleven months. Medicare will then recoup 50% of Medicare payments owed to the Authority for the succeeding six months. Any outstanding balance must then be repaid. During 2022 and 2021, the Authority repaid approximately $2,023,000 and $225,000, respectively.

The Authority has received the following CARES Act funding:

- $30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed $30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Authority received and recognized approximately $446,000 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 and recognized approximately $3,360,000 in funding from this distribution.

- $4.9 Million Georgia Hospital Association Research and Education Foundation, Inc. (GHAREF) Grant - The Assistant Secretary of Preparedness and Response (ASPR) of HHS allocated approximately $350 million to state hospital associations and other entities to disburse to health care providers on the front lines of the COVID-19 pandemic. GHAREF received approximately $4.9 million to disburse to hospitals in Georgia. The Authority received and recognized approximately $5,000 in funding from this grant.

- $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 and recognized approximately $84,000 in funding from this distribution.

Continued

21. CARES and ARP Act Funding, Continued

- $5 Million Rural Hospital Stabilization Operational Support Grant – The State of Georgia appropriated $5 million for rural hospital stabilization grants and for additional emergency preparedness expenses. The grant was distributed based on data collected specific to COVID-19 inpatient admissions. The Authority received and recognized $18,000 in funding from this grant.

- $17 Billion General Distribution (4th Round) - On December 16, 2021, HHS began distributing $17 billion to providers based on changes in revenues and expenses as well as the amount and type of services provided to Medicare, Medicaid, and/or Children's Health Insurance Program patients. The Authority received approximately $82,000 in funding from this distribution.

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

The CARES Act also 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 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%.

On March 11, 2021, the *American Rescue Plan Act (ARP)* was passed. This Act provides additional financial assistance for state and local governments, education, housing, food assistance, and additional grant programs. The Authority received the following program funding related to this Act:

- $8.5 Billion American Rescue Plan Rural Payments - In November 2021, HHS distributed $8.5 billion to 43,842 rural healthcare providers. The Authority received approximately $435,000 in funding from this distribution.

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

CARES and ARP 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.

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*

Draffin Tucker

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*

The Board of Directors
Clinch County Hospital Authority
Homerville, 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 Clinch County Hospital Authority (Authority) which comprise the balance sheet as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2022.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 of 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.

Draffin & Tucker, LLP

Albany, Georgia
November 29, 2022