



# Morgan County Hospital Authority

(A component Unit of Morgan County, Georgia)

Financial Statements  
Years Ended June 30, 2023 and 2022

**WIPFLI**

## **Independent Auditor's Report**

Board Members  
Morgan County Hospital Authority  
Madison, Georgia

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Morgan County Hospital Authority (the "Authority"), which comprise the statement of net position as of June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Morgan County Hospital Authority as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 Morgan County Hospital Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 Morgan County Hospital Authority's ability to continue as a going concern for one year after the date the financial statements, 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Morgan 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 Morgan 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.

### ***Other Matter***

The financial statements of Morgan County Hospital Authority for the year ended June 30, 2022, were audited by another auditor, whose report dated Monday, December 19, 2022 expressed an unmodified opinion on those financial statements.

### ***Required Supplementary Information***

Morgan County Hospital Authority has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 27, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 Morgan County Hospital 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.

*Wipfli LLP*

Wipfli LLP

Wausau, Wisconsin  
November 27, 2023

# Morgan County Hospital Authority

## Statements of Net Position

<i>June 30,</i>	2023		2022	
	Authority	Foundation	Authority	Foundation
<b>Current assets:</b>				
Cash and cash equivalents	\$ 4,369,000	\$ 91,000	\$ 3,195,000	\$ 28,000
Patient accounts receivable - Net	6,613,000	-	3,323,000	-
Estimated third-party payor settlements	720,000	-	955,000	-
Inventory	456,000	-	629,000	-
Other current assets	462,000	-	154,000	-
<b>Total current assets</b>	<b>12,620,000</b>	<b>91,000</b>	<b>8,256,000</b>	<b>28,000</b>
<b>Noncurrent cash and investments:</b>				
Held by trustee for debt service	716,000	-	528,000	-
Restricted by contributors	199,000	-	186,000	-
Unrestricted cash and investments	3,573,000	-	3,566,000	-
<b>Total noncurrent cash and investments</b>	<b>4,488,000</b>	<b>-</b>	<b>4,280,000</b>	<b>-</b>
<b>Capital assets:</b>				
Nondepreciable capital assets	2,249,000	-	2,265,000	-
Depreciable capital assets - Net	30,496,000	-	33,476,000	-
<b>Total capital assets - Net</b>	<b>32,745,000</b>	<b>-</b>	<b>35,741,000</b>	<b>-</b>
Other asset - Notes receivable	80,000	-	41,000	-
<b>TOTAL ASSETS</b>	<b>\$ 49,933,000</b>	<b>\$ 91,000</b>	<b>\$ 48,318,000</b>	<b>\$ 28,000</b>

# Morgan County Hospital Authority

## Statements of Net Position (Continued)

<i>June 30,</i>	2023		2022	
	Authority	Foundation	Authority	Foundation
<b>Current liabilities:</b>				
Current maturities of long-term debt	\$ 1,751,000	\$ -	\$ 1,726,000	\$ -
Accounts payable	2,228,000	-	1,426,000	-
Accrued expenses	1,682,000	-	940,000	-
Estimated third-party payor settlements	178,000	-	619,000	-
<b>Total current liabilities</b>	<b>5,839,000</b>	<b>-</b>	<b>4,711,000</b>	<b>-</b>
Long-term debt, net of current maturities	31,239,000	-	32,789,000	-
<b>Total liabilities</b>	<b>37,078,000</b>	<b>-</b>	<b>37,500,000</b>	<b>-</b>
<b>Net position:</b>				
Net investment in capital assets	(245,000)	-	1,226,000	-
Restricted:				
For debt service	716,000	-	528,000	-
By contributors	199,000	-	186,000	-
Unrestricted	12,185,000	91,000	8,878,000	28,000
<b>Total net position</b>	<b>12,855,000</b>	<b>91,000</b>	<b>10,818,000</b>	<b>28,000</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 49,933,000</b>	<b>\$ 91,000</b>	<b>\$ 48,318,000</b>	<b>\$ 28,000</b>

See accompanying notes to financial statements.

# Morgan County Hospital Authority

## Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30,	2023		2022	
	Authority	Foundation	Authority	Foundation
<b>Operating revenues:</b>				
Net patient service revenue	\$ 34,299,000	\$ -	\$ 24,954,000	\$ -
Outreach lab, net	-	-	531,000	-
Contributions	-	71,000	-	52,000
Other	714,000	-	479,000	-
<b>Total operating revenues</b>	<b>35,013,000</b>	<b>71,000</b>	<b>25,964,000</b>	<b>52,000</b>
<b>Operating expenses:</b>				
Salaries and wages	10,943,000	-	9,140,000	-
Employee benefits	4,063,000	-	3,503,000	-
Purchased services and professional fees	10,074,000	-	6,901,000	-
Supplies and drugs	3,118,000	-	2,637,000	-
Depreciation and amortization	3,367,000	-	3,479,000	-
Contribution to the Authority	-	-	-	200,000
Other	4,414,000	8,000	3,958,000	-
<b>Total operating expenses</b>	<b>35,979,000</b>	<b>8,000</b>	<b>29,618,000</b>	<b>200,000</b>
<b>Operating income (loss)</b>	<b>(966,000)</b>	<b>63,000</b>	<b>(3,654,000)</b>	<b>(148,000)</b>
<b>Nonoperating revenues (expenses):</b>				
County contributions	1,000,000	-	1,000,000	-
Rural hospital tax credit contributions	1,755,000	-	1,067,000	-
Other noncapital contributions	956,000	-	10,000	-
Investment income	23,000	-	20,000	-
Interest expense	(806,000)	-	(845,000)	-
<b>Total nonoperating revenues (expenses)</b>	<b>2,928,000</b>	<b>-</b>	<b>1,252,000</b>	<b>-</b>
<b>Revenue in excess (deficiency) of expenses</b>	<b>1,962,000</b>	<b>63,000</b>	<b>(2,402,000)</b>	<b>(148,000)</b>
<b>Capital contributions and restricted income:</b>				
Contribution from Foundation for capital acquisition	62,000	-	200,000	-
Income (loss) on investments restricted by contributors	13,000	-	(23,000)	-
<b>Change in net position</b>	<b>2,037,000</b>	<b>63,000</b>	<b>(2,225,000)</b>	<b>(148,000)</b>
<b>Net position, beginning of year</b>	<b>10,818,000</b>	<b>28,000</b>	<b>13,043,000</b>	<b>176,000</b>
<b>Net position, end of year</b>	<b>\$ 12,855,000</b>	<b>\$ 91,000</b>	<b>\$ 10,818,000</b>	<b>28,000</b>

See accompanying notes to financial statements.

# Morgan County Hospital Authority

## Statements of Cash Flows

Years Ended June 30,	2023	2022
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 30,803,000	\$ 24,783,000
Payments to suppliers and contractors	(14,918,000)	(14,685,000)
Payments to employees	(16,347,000)	(12,549,000)
Outreach lab receipts	-	531,000
Other receipts	714,000	479,000
Net cash from operating activities	252,000	(1,441,000)
Cash flows from noncapital financing activities:		
County contributions	1,000,000	1,000,000
Rural hospital tax credit contributions	1,755,000	1,067,000
Repayment of CARES Act funding	-	(373,000)
Other noncapital grants and contributions	956,000	10,000
Net cash from noncapital financing activities	3,711,000	1,704,000
Cash flows from capital and related financing activities:		
Contribution from Foundation for capital acquisition	62,000	200,000
Principal paid on long-term debt	(1,635,000)	(1,699,000)
Interest paid on long-term debt	(806,000)	(845,000)
Purchase of capital assets	(238,000)	(1,644,000)
Net cash from capital and related financing activities	(2,617,000)	(3,988,000)
Cash flows from investing activities:		
Sale of investments	26,000	20,000
Net cash from investing activities	26,000	20,000
Net change in cash and cash equivalents	1,372,000	(3,705,000)
Cash and cash equivalents, beginning of year	7,296,000	11,001,000
Cash and cash equivalents, end of year	\$ 8,668,000	\$ 7,296,000
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>		
Cash and cash equivalents	\$ 4,369,000	\$ 3,195,000
Noncurrent cash and cash equivalents:		
Held by trustee for debt service	716,000	528,000
Restricted by contributors	10,000	7,000
Other cash and investments	3,573,000	3,566,000
Total cash and cash equivalents at end of year	\$ 8,668,000	\$ 7,296,000



# Morgan County Hospital Authority

## Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2023	2022
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (966,000)	\$ (3,654,000)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	3,367,000	3,479,000
Provision for bad debts	4,833,000	3,416,000
Changes in:		
Patient accounts receivable	(8,123,000)	(3,692,000)
Estimated third-party payor settlements	(206,000)	105,000
Supplies	173,000	(132,000)
Other current assets	(308,000)	32,000
Notes receivable	(62,000)	18,000
Accounts payable	802,000	(1,107,000)
Accrued expenses	742,000	94,000
Total adjustments	1,218,000	2,213,000
Net cash provided (used) by operating activities	\$ 252,000	\$ (1,441,000)
<b>Noncash capital financing activities:</b>		
Capital assets acquired through leases	\$ 4,000	\$ 1,000
Capital assets acquired through subscription-based IT arrangements	\$ 106,000	\$ 114,000

See accompanying notes to financial statements.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### The Entity

Morgan County Hospital Authority (Authority) is a public body corporate and politic organized under the Hospital Authorities Law of the State of Georgia. The Authority was established by the Board of County Commissioners of Morgan County, Georgia (County) to operate, control, and manage all matters concerning the County's healthcare functions. The Authority is governed by a nine-member board of trustees appointed by the County and the County provides an annual contribution to the Authority. For these reasons, the Authority is considered to be a component unit of the County.

The Authority owns and operates Morgan Medical Center, a twenty-five (25) bed critical access hospital.

Morgan Memorial Healthcare Foundation, Inc. (Foundation) operates exclusively to promote the welfare of Morgan Medical Center and its patients. The Foundation solicits contributions for the Authority and, in the absence of donor restrictions, the Foundation's board members have discretionary control over the amounts to be distributed. The Foundation is reported on a basis consistent with the Authority's fiscal year and is discretely presented.

The Foundation is a not-for-profit corporation that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) standards. The Foundation's financial statement formats are modified to make them compatible with the Authority's financial statement format.

#### Basis of Presentation

The Authority prepares its financial statements as a business-type activity in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

#### Method of Accounting

The Authority's financial statements are presented using enterprise fund accounting. Revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting .

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that directly 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.

The Authority considers significant accounting estimates to be those which require significant judgments and include the valuation of accounts receivable, including contractual allowances and allowances for uncollectible accounts, estimated third-party payor settlements, and self-insurance reserves.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Cash and Cash Equivalents**

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

#### **Patient Accounts Receivable and Credit Policy**

Accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from residents of the Authority's service area, most of whom are insured under third-party payor agreements. The Authority bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patient's responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Authority does not have a policy to charge interest on past due accounts.

Accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and allowance for uncollectible accounts which reflect management's best estimate of the accounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts for which patients are personally responsible, through a reduction of gross revenue and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

In evaluating the collectability of accounts receivable, the Authority analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Authority analyzes contractually due amounts and provides an allowance for uncollectible amounts on accounts for which the third-party payor has not yet paid, or for payors and patients who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Authority records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Inventory**

Supplies are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value.

#### **Noncurrent Cash & Investments**

Noncurrent cash and investments include assets held by trustees under indenture agreements as required by USDA loan to be used by the trustees to make principal payments, assets that are restricted by contributors in an endowment to support the operations of the Authority, and unrestricted long-term cash and investments designated by management for future capital needs of the Authority.

Noncurrent cash and investments includes cash and cash equivalents, and debt and equity based mutual fund securities. Investments in debt and equity based mutual fund securities are reported at fair value. For the purpose of recognizing investment returns, substantially all of the Authority's investments are considered to be trading securities. Investment income consisting of interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Authority measures fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **Capital Assets and Depreciation**

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. All capital assets other than land and construction-in-progress are depreciated using the straight-line method of depreciation using these asset lives. Estimated useful lives of assets range from 15 to 20 years for land improvements, 20 to 40 years for building and building improvements, and 3 to 15 years for equipment, computers, and furniture.

The Authority evaluates capital assets regularly for impairment under the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the accompanying statements of revenue, expenses, and changes in net position.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

The Authority's employees earn paid time off (PTO) at varying rates depending on years of service. Employees may accumulate PTO up to a maximum of 270 hours. Hours above the maximum will be lost. Employees who voluntarily terminate their job may request full payment of their PTO. Employees may also convert PTO to cash under certain hardship conditions. Accrued PTO benefits are recorded in accrued expenses on the statements of net position totaled \$437,000 and \$409,000 as of June 30, 2023 and 2022, respectively.

The Authority's employees also earn extended illness bank (EIB) time to be used for absences lasting three days or longer due to illness or injury. Full time employees accrue EIB at the rate of six days per year and may accumulate a maximum of 65 days. Accrued EIB time is not subject to cash conversion and is not paid to employees upon termination. Therefore, no liability is recorded for accrued EIB.

#### Unearned Revenue

Unearned revenue arises when resources are received by the Authority and before the Authority has a legal claim to them, including when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Unearned revenue consists of receipts of federal awards for which the earnings process was not yet completed at June 30, 2023 and 2022.

#### Leases

The Authority is a lessee under noncancellable lease agreements. If the contract provides the Authority the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the expected lease term. The ROU asset is adjusted for lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Authority's incremental borrowing rate. The Authority uses the incremental borrowing rate based on the information available at the commencement date for each lease. The Authority's incremental borrowing rate for each lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for leases are amortized on a straight-line basis over the lease term. The Authority has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases, with lease costs included in short-term lease expense. The Authority recognizes short-term lease cost on a straight-line basis over the lease term. ROU assets are reported with capital assets and lease liabilities are reported with long-term debt on the statements of net position.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Net Position

Net position is classified into three components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority.
- Unrestricted net position is the amount of assets and liabilities that is not included in the determination of net investment in capital assets or the restricted position.

When an expense is incurred for which both restricted and unrestricted resources are available, it is the Authority's policy to first apply restricted resources.

#### Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive revenue adjustments due to future audits and reviews, as well as a provision for uncollectible accounts and charity care. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

For uninsured patients who do not qualify for charity care, the Authority recognizes revenue on the basis of standard rates for services provided (or on a basis of discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of the Authority's uninsured patients will be unable or unwilling to pay for services provided. Thus the Authority records a significant provision for uncollectible accounts related to uninsured patients in the period services are provided. The provision is offset by recoveries that are received on prior-year bad debts from patient payments.

#### Charity Care

The Authority provides care to patients who meet certain criteria under its indigent and charity care policy without charge or at amounts less than its established rates. The Authority maintains records to identify the amount of charges forgone for the services and supplies furnished under the indigent and charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as indigent or charity care, they are not reported as net patient services 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 healthcare services, the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, and investment income including realized and unrealized investment returns are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. Nonoperating expenses include interest expense.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Grants and Contributions**

From time to time, the Authority and the Foundation receive grants from the County, the State of Georgia, and the federal government 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. Grants and contributions 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.

#### **Tax Status**

The Authority is a governmental entity and is recognized as tax-exempt under the Internal Revenue Code. The Foundation is a nonprofit corporation which has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation is also exempt from state income taxes on related income.

### **Note 2: Reimbursement Arrangements with Third-Party Payors**

The Authority has agreements with third-party payors that provide for reimbursement to the Authority at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

*Medicare* - The Authority is designated a Critical Access Hospital (CAH) by the Medicare program. Under this designation, inpatient, outpatient, and swing bed services rendered to Medicare program beneficiaries are paid based upon a cost-reimbursement methodology, with the exception of certain lab and mammography services, which are reimbursed based on fee schedules.

*Medicaid* - Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are generally paid based on a cost reimbursement methodology. Certain professional physician and clinic services provided to Medicaid program beneficiaries are reimbursed based on prospectively determined fee schedules.

The Authority has contracts with certain care management organizations (CMO's) to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these CMO's consist primarily of prospectively determined rates per discharge and discounts from established charges.

The Authority participates in the Medicaid Upper Payment Limit (UPL) program. 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 \$11,000 and \$19,000 during 2023 and 2022, respectively.

The Authority participates in the Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The net amount of ICTF payments recognized in net patient service revenue was approximately \$1,897,000 and \$746,000 during 2023 and 2022, respectively.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### **Note 2: Reimbursement Arrangements with Third-Party Payors (Continued)**

*Uninsured* - The Authority provides emergency and other medically necessary care regardless of a patient's ability to pay. The Authority has a Financial Assistance Policy (FAP) to assist those patients who cannot pay for all or part of their care. Based on the FAP, uninsured patients will not be charged more than the Amounts Generally Billed (AGB) to patients with Medicare covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) for medically necessary care by Medicare during a 12-month lookback period. The Authority provides services without charge or at amounts less than its established rates to patients that are approved under the FAP. Patient household income in relation to the federal poverty guidelines and certain special circumstances criteria are included in the determination of qualification. The Authority's provided a 47% and 43% discount on services provided to uninsured patients in 2023 and 2022, respectively. The Authority provided uninsured discounts of \$2,060,000 and \$2,472,000 in 2023 and 2022, respectively.

*Other Payors* - The Authority has 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.

#### **Accounting for Contractual Arrangements**

The Authority is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The Authority's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2020. The Authority's Medicaid cost reports have been audited by Medicaid through June 30, 2020.

In 2023, the Authority conducted a reimbursement analysis and determined the Authority was underpaid in accordance with contractual terms from third-party payors. The Authority is in the process of resubmitting claims to be paid in accordance with the contract terms. In 2023, management recognized an increase to net patient service revenue of \$2,950,000 of which \$1,380,000 represented claims underpaid related to 2022 and prior year dates of service. In accordance with the agreement, the Authority recognized a corresponding expense of \$590,000 for the rebilling and collection services associated to these claims.

#### **Compliance**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations of these laws and regulations by healthcare providers can result in the imposition of fines and penalties, as well as repayment of previously billed and collected revenue from patient services. Management believes the Authority is in substantial compliance with current laws and regulations.

The Centers for Medicare and Medicaid Services (CMS) created the recovery audit contractors (RACs) and the Medicaid Integrity Contractor (MIC) program to search for potentially inaccurate Medicare and Medicaid payments that have been made to healthcare providers and that were not detected through existing CMS and MIC program efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Authority has not been notified by the RAC of any potential significant reimbursement adjustments.



# Morgan County Hospital Authority

## Notes to Financial Statements

### Note 3: Cash and Cash Equivalents 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. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. As of June 30, 2023 and 2022, the Authority's deposits were entirely insured or collateralized.

**Custodial Credit Risk - investments** - For an investment, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investments are held in the Authority's name by a custodial bank that is the agent of the Authority.

The carrying amounts of deposits and investments included in the Authority's statements of net position are as follows:

	2023	2022
Deposits	\$ 8,661,000	\$ 7,292,000
Investments	196,000	183,000
Total	\$ 8,857,000	\$ 7,475,000

Included in the following statements of net position captions:

	2023	2022
Cash and cash equivalents	\$ 4,369,000	\$ 3,195,000
Noncurrent cash and investments:		
Held by trustee for debt service	716,000	528,000
Restricted by contributors	199,000	186,000
Unrestricted cash and investments	3,573,000	3,566,000
Total	\$ 8,857,000	\$ 7,475,000

The Authority's investments were comprised of the following at June 30, 2023 and 2022:

	2023	2022
Restricted by contributors:		
Cash and cash equivalents	\$ 10,000	\$ 7,000
Equity exchange-traded funds	90,000	74,000
Equity mutual funds	18,000	33,000
Bond mutual funds	78,000	69,000
Total	\$ 196,000	\$ 183,000

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### Note 3: Cash and Cash Equivalents and Investments (Continued)

The fair value of equity exchange-traded funds, equity mutual funds, and bond mutual funds are measured based on quoted market prices from active market which are considered a fair value hierarchy Level 1. The fair value of cash and cash equivalents are measured based on a net asset value of 1.0 which is considered a fair value hierarchy Level 2.

The Authority must maintain a minimum balance of \$100,000 of the funds restricted by contributors as stated in the endowment agreement. The Authority may spend up to 20% of the funds annually to support operations, however no expenditure shall decrease the funds to less than \$100,000.

**Interest Rate Risk** - Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization. The Authority places no limit on the amount it may invest in any one issuer.

### Note 4: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended June 30:

	2023	2022
Gross patient service revenue:		
Inpatient services	\$ 4,167,000	\$ 4,628,000
Swing bed services	10,511,000	6,535,000
Outpatient services	40,585,000	33,723,000
Totals	55,263,000	44,886,000
Less:		
Contractual allowances	16,131,000	16,516,000
Provision for uncollectible accounts	4,833,000	3,416,000
<b>Net patient service revenue</b>	<b>\$ 34,299,000</b>	<b>\$ 24,954,000</b>

The following table reflects the percentage of net patient service revenue by payor source for the years ended June 30:

	2023	2022
Medicare	48 %	52 %
Medicaid	12 %	12 %
Anthem / Blue Cross	7 %	9 %
Other third-party payors	32 %	26 %
Patients	1 %	1 %
Totals	100 %	100 %

# Morgan County Hospital Authority

## Notes to Financial Statements

### Note 5: Charity Care

The Authority provides healthcare services and other financial support through various programs that are designed, amount other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of the Authority, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for indigent and charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the Authority's indigent and charity policy. The Authority maintains records to identify and monitor the level of indigent and charity care it provides. The amount of charges foregone for services and supplies furnished under the Authority's indigent and charity care policy aggregated approximately \$1,315,000 and \$556,000 in 2023 and 2022, respectively.

The estimated cost of providing care to patients under the Authority's indigent and charity care policy aggregated approximately \$875,000 and \$376,000 in 2023 and 2022, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Authority times the gross uncompensated charges associated with providing indigent and charity care.

### Note 6: Capital Assets

A schedule of changes in the Authority's capital assets for 2023 and 2022 follows:

	Balance June 30, 2022	Additions	Retirements/ Transfers	Balance June 30, 2023
<b>Nondepreciable capital assets:</b>				
Land	\$ 1,955,000	\$ -	\$ -	\$ 1,955,000
Construction-in-progress	310,000	23,000	(39,000)	294,000
<b>Total nondepreciable capital assets</b>	<b>2,265,000</b>	<b>23,000</b>	<b>(39,000)</b>	<b>2,249,000</b>
<b>Depreciable capital, right-of-use, and subscription based IT agreements assets:</b>				
Buildings	33,486,000	-	-	33,486,000
Equipment	9,023,000	237,000	-	9,260,000
Right-of-use leased equipment	2,760,000	3,000	(374,000)	2,389,000
Subscription-based IT agreements	1,442,000	166,000	-	1,608,000
<b>Total capital assets as historical cost</b>	<b>46,711,000</b>	<b>406,000</b>	<b>(374,000)</b>	<b>46,743,000</b>
<b>Less accumulated depreciation and amortization for:</b>				
Buildings	(7,300,000)	(1,677,000)	-	(8,977,000)
Equipment	(4,644,000)	(984,000)	-	(5,628,000)
Right-of-use leased equipment	(852,000)	(411,000)	372,000	(891,000)
Subscription-based IT agreements	(439,000)	(312,000)	-	(751,000)
<b>Total accumulated depreciation and amortization</b>	<b>(13,235,000)</b>	<b>(3,384,000)</b>	<b>372,000</b>	<b>(16,247,000)</b>
<b>Net depreciable capital assets</b>	<b>33,476,000</b>	<b>(2,978,000)</b>	<b>(2,000)</b>	<b>30,496,000</b>
<b>Total capital assets, - Net</b>	<b>\$ 35,741,000</b>	<b>\$ (2,955,000)</b>	<b>\$ (41,000)</b>	<b>\$ 32,745,000</b>

# Morgan County Hospital Authority

## Notes to Financial Statements

### Note 6: Capital Assets (Continued)

	Balance June 30, 2021	Additions	Retirements/ Transfers	Balance June 30, 2022
Nondepreciable capital assets:				
Land	\$ 1,955,000	\$ -	\$ -	\$ 1,955,000
Construction-in-progress	183,000	293,000	(166,000)	310,000
<b>Total nondepreciable capital assets</b>	<b>2,138,000</b>	<b>293,000</b>	<b>(166,000)</b>	<b>2,265,000</b>
Depreciable capital, right-of-use, and subscription based IT arrangement assets				
Buildings	32,693,000	793,000	-	33,486,000
Equipment	8,329,000	528,000	166,000	9,023,000
Leased equipment	2,921,000	1,000	(162,000)	2,760,000
Subscription-based IT	1,298,000	144,000	-	1,442,000
<b>Total capital assets as historical cost</b>	<b>45,241,000</b>	<b>1,466,000</b>	<b>4,000</b>	<b>46,711,000</b>
Less accumulated depreciation and amortization for:				
Buildings	(5,650,000)	(1,650,000)	-	(7,300,000)
Equipment	(3,636,000)	(1,008,000)	-	(4,644,000)
Leased equipment	(455,000)	(559,000)	162,000	(852,000)
Subscription-based IT	(177,000)	(262,000)	-	(439,000)
<b>Total accumulated depreciation and amortization</b>	<b>(9,918,000)</b>	<b>(3,479,000)</b>	<b>162,000</b>	<b>(13,235,000)</b>
<b>Net depreciable capital assets</b>	<b>35,323,000</b>	<b>(2,013,000)</b>	<b>166,000</b>	<b>33,476,000</b>
<b>Total capital assets - Net</b>	<b>\$ 37,461,000</b>	<b>\$ (1,720,000)</b>	<b>\$ -</b>	<b>\$ 35,741,000</b>

Construction-in-progress consists of architect and other fees related to planning a facility expansion. No construction contracts have been executed.

### Note 7: Notes Receivable

Notes receivable consist of advances to physicians and employees under employment agreements. The advances are forgiven over a period in which the physicians and employees work for the Authority. If the physicians or employees leave Authority employment before the end of the period, the physicians and employees would owe the Authority a pro-rata portion of the advances. In 2023, new note agreements were signed totaling \$63,000. No note agreements were signed in 2022. Amounts forgiven and charged to expense were approximately \$23,000 and \$17,000 in 2023 and 2022, respectively.

# Morgan County Hospital Authority

## Notes to Financial Statements

### Note 8: Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2023 and 2022 follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
USDA Loan - Direct Borrowing	\$ 31,988,000	\$ -	\$ (1,113,000)	\$ 30,875,000	\$ 1,138,000
Leases	1,992,000	4,000	(431,000)	1,565,000	289,000
Subscription-based IT Liabilities	535,000	106,000	(91,000)	550,000	324,000
<b>Total</b>	<b>\$ 34,515,000</b>	<b>\$ 110,000</b>	<b>\$ (1,635,000)</b>	<b>\$ 32,990,000</b>	<b>\$ 1,751,000</b>

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
USDA Loan - Direct Borrowing	\$ 33,075,000	\$ -	\$ (1,087,000)	\$ 31,988,000	\$ 1,113,000
Leases	2,448,000	1,000	(457,000)	1,992,000	430,000
Subscription-based IT Liabilities	576,000	114,000	(155,000)	535,000	183,000
<b>Total</b>	<b>\$ 36,099,000</b>	<b>\$ 115,000</b>	<b>\$ (1,699,000)</b>	<b>\$ 34,515,000</b>	<b>\$ 1,726,000</b>

The terms and due dates of the Authority's long-term debt, including lease obligations and subscription-based information technology arrangements, at June 30, 2023 and 2022, follow:

- United States Department of Agriculture (USDA) Loan - Direct borrowing, interest at 2.375%, payable in monthly installments of \$155,000, due August 2044, secured by revenues and property and equipment. The Authority must also make monthly payments of \$15,000 to a reserve fund until a balance of \$1,861,000 is accumulated in the reserve fund. The loan contains a provision that in an event of default, outstanding amounts may become immediately due and payable. Under the terms of the USDA Loan, the Authority must maintain a debt service coverage ratio of not less than 1.10 and is required to maintain certain deposits with a trustee. Such deposits are included in the statements of net position as held by trustee.
- Leases - The Authority has eight lease agreements for equipment, terms vary by lease, each lease provides for a monthly lease payment ranging from \$25 to \$18,000, including imputed interest at 3.25%. The Authority's leases term dates range from July 31, 2024 to November 18, 2029. The Authority's leases are collateralized by the leased equipment. 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.
- Subscription-Based Information Technology Agreements - The Authority has entered into multiple subscription-based information technology agreements. The Authority's agreement terms range from 36 months to 116 months. The Authority's monthly subscription payments range from \$182 to \$9,665 with an imputed interest at 0%, secured by subscription assets. The use of certain IT solutions over an annual commitment are subject to additional fees that will be expensed in the period incurred.

# Morgan County Hospital Authority

## Notes to Financial Statements

### Note 8: Long-Term Debt (Continued)

Scheduled principal and interest repayments on direct borrowings, lease obligations, and subscription-based information technology agreements are as follows:

Year Ending June 30	Direct Borrowings		Leases		Subscription-Based IT Liabilities
	Principal	Interest	Principal	Interest	Principal
2024	\$ 1,138,000	\$ 723,000	\$ 289,000	\$ 47,000	\$ 324,000
2025	1,167,000	694,000	294,000	37,000	92,000
2026	1,195,000	666,000	278,000	28,000	75,000
2027	1,224,000	637,000	270,000	19,000	33,000
2028	1,251,000	609,000	274,000	10,000	8,000
2029-2033	6,730,000	2,573,000	160,000	2,000	18,000
2034-2038	7,578,000	1,725,000	-	-	-
2039-2043	8,532,000	771,000	-	-	-
2044-2045	2,060,000	30,000	-	-	-
<b>Total</b>	<b>\$ 30,875,000</b>	<b>\$ 8,428,000</b>	<b>\$ 1,565,000</b>	<b>\$ 143,000</b>	<b>\$ 550,000</b>

### Note 9: Retirement Plans

The Authority sponsors a defined contribution 457(b) Plan established and administered by the Authority to provide benefits at retirement to substantially all employees of the Authority. Provisions and contribution requirements of the 457(b) Plan are established and may be amended by the Authority's board members. Employees may make voluntary contributions to the 457(b) Plan. Employee voluntary contributions to the 457(b) Plan during 2023 and 2022 were \$442,000 and \$398,000, respectively. No Authority contributions are made to the 457(b) Plan.

The Authority sponsors a defined contribution a 401(a) Plan established and administered by the Authority to provide benefits at retirement to substantially all employees of the Authority. Provisions and contribution requirements of the 401(a) Plan are established and may be amended by the Authority's board members. The Authority makes contributions to the 401(a) Plan that matches 50% of employee contributions to the 457(b) Plan up to a maximum of 3% of the employee's annual compensation. The Authority's matching contributions during 2023 and 2022 were \$187,000 and \$162,000, respectively. No employee contributions are made to the 401(a) Plan. The Authority had no liability outstanding related to the 401(a) Plan at June 30, 2023 or 2022.

Employees are vested immediately in their contributions to the 457(b) Plan. Vesting in the Authority's contributions to the 401(a) Plan is based on years of continuous service on a 5-year cliff. Forfeited nonvested accounts may be used to pay expenses of the Plans. The Authority recognized no forfeitures in pension expense during 2023 or 2022.

### Note 10: Risk Management

The Authority is exposed to various risks of loss related to medical malpractice; torts, theft of, damage to, and destruction of assets; errors and omissions, injuries of employees; natural disasters; and medical benefits provided to employees.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### Note 10: Risk Management (Continued)

#### General and professional liability insurance

The Authority has purchased commercial insurance to cover its exposure to various risks of loss related to property, loss, errors and omissions, employee injuries (workers' compensation), and professional liability claims. The Authority's professional liability insurance for claim losses of less than \$1,000,000 per claim and \$3,000,000 annual aggregate per year covers professional liability claims during a policy year ("claims-made" coverage). The Authority also has an excess healthcare commercial insurance policy increasing claim losses to \$5,000,000 per claim and \$5,000,000 annual aggregate per year. The professional liability insurance policy and the excess healthcare commercial insurance policy are renewable annually and has been renewed by the insurance carrier for the period extending to July 1, 2024. Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Authority. Although there exists the possibility of claims arising from services provided to patients through June 30, 2023, which had not been asserted, the Authority is unable to determine the ultimate cost, if any, of such possible claims, and accordingly no provision has been made for them.

#### Employee Health Insurance

The Authority is self-insured for employee health insurance. A third-party administers the plan for the Authority. The Authority funds its losses based on actual claims. The Authority maintains a stop-loss insurance contract through a commercial excess coverage policy, which will reimburse the Authority for individual claims in excess of \$60,000 annually. The Authority has estimated the incurred but not yet reported liability as June 30, 2023 and 2022. These estimates are recorded as a current liability within accrued expenses. Changes in the estimated liability for self-funded health insurance for the years ended June 30 are as follows:

	2023	2022
Estimated liability at the beginning of year	\$ 160,000	\$ 197,000
Estimated claims incurred, including changes in estimates	2,925,000	2,606,000
Claim payments	(2,975,000)	(2,643,000)
Estimated liability at end of year	\$ 110,000	\$ 160,000

### Note 11: County Contributions

In December 2015, the Authority and the County entered into an Intergovernmental Agreement (IGA). Under the IGA, the County shall provide the Authority \$1,000,000 annually for a term not to exceed 25 years and not to exceed \$25,000,000. Payments under the IGA became effective September 29, 2017. The Authority received payments of approximately \$1,000,000 under the IGA in both 2023 and 2022.

# Morgan County Hospital Authority

## Notes to Financial Statements

---

### Note 12: 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 calendar years 2017 through 2023. Contributions received under the program approximated \$1,755,000 and \$1,067,000 during the Authority's fiscal years 2023 and 2022, respectively. The Authority will have to be approved by the State to participate in the program in calendar years 2024.

### Note 13: Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2023 and 2022, was as follows:

	2023	2022
Medicare	34 %	27 %
Medicaid	7 %	7 %
Anthem / Blue Cross	6 %	6 %
Other third-party payors	16 %	16 %
Patients	37 %	44 %
Total	100 %	100 %

### Note 14: Grant Revenue

During 2023, the Authority received \$950,000, in grant funding from the State of Georgia which was established as a result Georgia's allocation of funds from the State Fiscal Recovery Fund established within American Rescue Plan Act of 2021. Based on the terms and conditions of the grant, the Authority earns the grant by incurring COVID-19 expenses. During 2023, the Authority recognized \$950,000 within other noncapital contributions in the statements of revenue, expenses, and changes in net position. The Authority received and recognized grants from other sources in 2023 and 2022 totaling \$6,000 and \$10,000, respectively.

### Note 15: Reclassifications

Certain reclassifications were made to the 2022 financial statements to conform to the 2023 classifications.



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board Members  
Morgan County Hospital Authority  
Madison, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Morgan County Hospital Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Morgan County Hospital Authority basic financial statements as listed and have issued our report thereon dated November 27, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morgan County Hospital 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 Morgan County Hospital Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Morgan County Hospital 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2023.001, 2023.002, and 2023.003 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morgan County Hospital Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

### **Morgan County Hospital Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Morgan County Hospital 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 Morgan County Hospital Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

Wausau, Wisconsin  
November 27, 2023

# Morgan County Hospital Authority

## Schedule of Findings

Year Ended June 30, 2023

---

### Material Weakness

#### **Finding 2023.001**

#### **Account Reconciliations**

- Condition:** The Authority does not have processes in place to reconcile all accounts on a regular basis. The money market account, accrued purchases, accrued liability accounts related to payroll, accounts receivable-other, construction in progress, and subscription-based IT arrangements accounts were not reconciled appropriately by management during the fiscal year and for the year-ended June 30, 2023.
- Criteria:** Government Auditing Standards consider the inability to report financial data reliably in accordance with GAAP to be an internal control deficiency.
- Cause:** The completeness of the financial statement disclosures and accuracy of the overall financial presentation may be negatively impacted as a result of inadequate financial reporting processes and practices.
- Effect:** Lack of appropriate processes in place to reconcile financial statement balances is a material weakness in the Authority's internal control environment.
- Recommendation:** We recommend management develop processes to reconcile financial statement balances throughout the year. This process should include review of reconciliations in a timely manner by the appropriate level of management.
- View of responsible officials:** Morgan Medical Center will develop a process, to include in the month-end closing process, reconciliation of all the financial statement balances. Any necessary journal entries will be made and workpapers and support will be maintained. Accounting Manager will review these reconciliations on a regular basis.

# Morgan County Hospital Authority

## Schedule of Findings

Year Ended June 30, 2023

---

### Material Weakness

#### **Finding 2023.002**

#### **Segregation of Duties**

**Condition:** Key duties and functions are not segregated around payroll processing, cash disbursement functions, and the general journal entries posted during the month-end close process.

**Criteria:** Management is responsible for establishing and maintaining effective segregation of duties to prevent or detect material misstatements in financial reporting.

**Cause:** Internal controls processes are not properly segregated as a several individuals have access and perform multiple functions in the cash disbursement, payroll, and general ledger processes.

**Effect:** Lack of segregation of duties is a material weakness in the Authority's internal control environment.

**Recommendation:** We recommend management implement a departmental financial statement reporting process requiring department managers to review monthly financial reports to mitigate the risk of inappropriate or inaccurate journal entries being post to their respective department. We recommend someone independent of cash disbursement function regularly review a vendor change report and review to ensure the checks are in sequence. We recommend access to change payroll information be limited to those employees in human resources that need to perform this function and that someone independent of payroll functions regularly review a payroll change report to ensure all changes to personnel information is properly approved.

**View of responsible officials:**

Morgan Medical Center implemented on July 1, 2023, the Organizational Intelligence (OI) reporting software which provides to Department Managers and Directors the ability to review their monthly financial reports for accuracy. Variance between actual and budgeted amounts are sent to Department Managers for their review. These variances must be explained to the managers supervisor. There is also a roll up function for accountability to the C Sute.

The Accounting Manager will review and sign off on the Cash Disbursement Reports to ensure vendors and checks are accurate. Additionally, any vendor changes or new vendors that are to be added will be signed off on by the Accounting Manager.

Payroll access will be changed to limited access to only those employees that need these functions. The Accounting Manager will review payroll changes on a monthly basis or on an as need basis.

# Morgan County Hospital Authority

## Schedule of Findings

Year Ended June 30, 2023

---

### Material Weakness

#### **Finding 2023.003**

#### **Contractual Allowances Estimate**

**Condition:** Contractual allowances are a significant estimate in the Authority's financial statements. Management's estimate of the contractual allowances was based on historical reimbursement percentages and not based on current reimbursement percentages by payor and service type. In addition, management's estimate of the contractual allowances specific to Medicare and Medicare HMOs did not factor in the current outstanding receivables but rather considered gross charges billed for fiscal year multiplied by interim payment rates set by Medicare and compared to payments received through June 30, 2023.

**Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting which includes a process for preparing significant estimates.

**Cause:** The completeness of the financial statement disclosures and accuracy of the overall financial presentation may be negatively impacted as a result of inadequate processes to estimate contractual allowances us current reimbursement rates to reasonably state patient accounts receivable at net realizable value.

**Effect:** During the audit process material adjustments were recorded to the financial statements to update management's contractual allowance estimate for current reimbursement percentages.

**Recommendation:** We recommend management implement a process to estimate the contractual allowances using current reimbursement percentages by payor and by service type on a monthly basis.

**View of responsible officials:** Management concurs with this finding and will utilize a methodology that considers current reimbursement percentages by payor and service type.

**Morgan County Hospital Authority**  
**Schedule of Prior Year Findings**  
Year Ended June 30, 2023

---

**Material Weaknesses**

**Finding 2022.001                      Implementation of GASB 87, Leases**

Condition:                              New accounting standard GASB 87, Leases, was not implemented on its effective date of July 1, 2021. The recording of lease right-of-use assets and lease liabilities was done after year-end through audit adjustments.

Current Status:                        The Authority used lease software, Lease Crunch, and recorded monthly journal entries and reconciliations for all leases. The Authority reconciled the lease asset and liability accounts to Lease Crunch software detailed reports as of June 30, 2023.

**Finding 2022.002                      Cash Reconciliation**

Condition:                              The money market cash account was not reconciled.

Current Status:                        See finding 2023.001.

**Finding 2022.003                      Accrued Purchases Reconciliation**

Condition:                              The accrued purchases accounts payable account was not reconciled and a detail was not maintained.

Current Status:                        See finding 2023.001.

**Significant Deficiency**

**Finding 2022.004                      Inventory Adjustment to Year-end Count**

Condition:                              Inventory was not adjusted to the year-end inventory count.

Current Status:                        The Authority had a vendor perform physical inventory count close to year-end and the inventory balance reconciled to count detail as of June 30, 2023.