

EFFINGHAM COUNTY HOSPITAL AUTHORITY  
(A Component Unit of Effingham County, Georgia)

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2024 and 2023

9. Long-Term Debt and Subscription IT Liabilities

A summary of long-term debt at June 30, 2024 and 2023 follows:

	<u>2024</u>	<u>2023</u>
2022 Series Revenue Certificates payable in varying annual amounts ranging from \$1,030,000 to \$2,534,000. Interest rates on coupons are 3.43% payable semiannually on April 1st and October 1st.	\$ 27,121,000	\$ 28,755,000
Financed equipment, with interest rates ranging from 1.85% - 5.44% and monthly and quarterly payments ranging from \$714 to \$33,938.	589,778	965,590
Subscription IT liabilities, with interest rates of 3.43% and monthly, quarterly, and yearly payments ranging from \$270 to \$176,186.	10,429,146	11,338,413
Cerner Implementation, with interest rate of 0.00% and quarterly payments of \$54,620.	<u>1,250,023</u>	<u>1,468,503</u>
	39,389,947	42,527,506
Less current maturities of long-term debt	<u>3,191,317</u>	<u>3,169,022</u>
Long-term debt	<u>\$ 36,198,630</u>	<u>\$ 39,358,484</u>

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NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2024 and 2023

9. Long-Term Debt and Subscription IT Liabilities, Continued

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

	2023			2024	Amounts Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within One Year</u>
Direct Borrowings:					
Notes Payable	\$ 1,468,503	\$ -	\$ 218,480	\$ 1,250,023	\$ 218,480
Financed Equipment	965,590	-	375,812	589,778	322,819
Subscription IT liabilities	11,338,413	69,012	978,279	10,429,146	959,018
Revenue Bonds:					
2022 Certificate	<u>28,755,000</u>	<u>-</u>	<u>1,634,000</u>	<u>27,121,000</u>	<u>1,691,000</u>
Total long-term debt	<u>\$ 42,527,506</u>	<u>\$ 69,012</u>	<u>\$ 3,206,571</u>	<u>\$ 39,389,947</u>	<u>\$ 3,191,317</u>

	2022			2023	Amounts Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within One Year</u>
Direct Borrowings:					
Notes Payable	\$ 1,686,983	\$ -	\$ 218,480	\$ 1,468,503	\$ 218,480
Financed Equipment	1,298,266	-	332,676	965,590	363,242
Subscription IT liabilities	1,761,755	10,259,465	682,807	11,338,413	953,300
Revenue Bonds:					
2022 Certificate	-	29,785,000	1,030,000	28,755,000	1,634,000
Mortgage	<u>23,584,368</u>	<u>-</u>	<u>23,584,368</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>\$ 28,331,372</u>	<u>\$ 40,044,465</u>	<u>\$ 25,848,331</u>	<u>\$ 42,527,506</u>	<u>\$ 3,169,022</u>

In December 2010, the Authority issued Federally Taxable Recovery Zone Economic Development Bonds (Direct Pay) in the form of 2010 Series A Bonds for \$28,640,000 and 2010 Series B bonds for \$2,300,000. In connection with this bond issue, the Federal Housing Administration (FHA) issued a commitment dated December 6, 2010, which was assigned to the FHA approved lender Berkadia Commercial Mortgage LLC (Berkadia) for a mortgage in the amount of \$30,940,000. The proceeds from the bond issue were used to acquire Government National Mortgage Association (GNMA) Securities from Berkadia which are securitizations of the mortgage loan to the Authority. In addition, the Authority is required to deposit certain amounts with the trustee for interest payments. During the construction period, the Authority requested monies from Berkadia in the form of draws. As each draw was funded by Berkadia, the draws were securitized as GNMA securities and sold to the bond trustee. In

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NOTES TO FINANCIAL STATEMENTS, Continued  
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9. Long-Term Debt and Subscription IT Liabilities, Continued

2013, the construction project was completed and the Series A and B bonds have been fully secured by GNMA securities, which are held in trust. The Berkadia mortgage is collateralized by the assets and revenues derived from the assets of the Authority.

The Bonds are special limited obligations of the Authority and are secured by the revenues and income derived from the trust estate, which consists of the proceeds of the bond issue, the deposits held by the trustee and the GNMA securities. The Authority does not have access to the trust accounts. In July 2022, the 2010 bonds were refinanced with the issuance of the Refunding and Improvement Revenue Anticipation Certificate, Series 2022. As a result of the early redemption, the Authority decreased its total debt service payments by approximately \$4,114,000 which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of approximately \$3,100,000 which is 13% of the principal amount refunded.

In July 2022, the Authority issued the Refunding and Improvement Revenue Anticipation Certificate, Series 2022 (2022 Certificate) in the amount of \$29,785,000 with an interest rate of 3.43% and a maturity date of April 1, 2037. Interest payments are paid semi-annually while principal payments are paid annually. In addition to paying off the 2010 Series bonds, the proceeds from the Series 2022 were used to pay off the line-of-credit of approximately \$3,500,000 and fund new projects in the amount of \$1,770,000. The 2022 Certificate is collateralized by the assets and revenues derived from the assets of the Authority.

The 2022 Certificate has certain reporting requirements. The Authority is in compliance with these requirements.

In March 2020, the Authority entered into a Cerner implementation agreement for an electronic health record system with a 0.00% interest rate with quarterly payments of \$54,620. The note payable is collateralized by the equipment.

The Authority has entered into Subscription-Based Information Technology Arrangements for various software licenses and remote hosting arrangements - Imputed interest of 3.43% secured by subscription assets. The use of certain IT solutions over an annual encounter amount are subject to additional fees that will be expensed in the period incurred.

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NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2024 and 2023

9. Long-Term Debt and Subscription IT Liabilities, Continued

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

<u>Year Ending June 30:</u>	<u>Revenue Bonds</u>		<u>Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,691,000	\$ 930,250	\$ 541,299	\$ 21,517
2026	1,748,000	872,249	437,647	7,755
2027	1,808,000	812,293	266,274	803
2028	1,870,000	750,278	218,480	-
2029	1,935,000	686,137	376,101	-
2030-2034	10,716,000	2,388,480	-	-
2035-2037	<u>7,353,000</u>	<u>510,075</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,121,000</u>	<u>\$ 6,949,762</u>	<u>\$ 1,839,801</u>	<u>\$ 30,075</u>

<u>Year Ending June 30:</u>	<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 959,018	\$ 347,358
2026	968,025	314,500
2027	999,948	280,769
2028	984,712	246,436
2029	957,908	213,010
2030-2034	3,078,458	653,540
2035-2039	2,177,072	258,988
2040	<u>304,005</u>	<u>5,244</u>
Total	<u>\$ 10,429,146</u>	<u>\$ 2,319,845</u>

The Revenue Certificates and direct borrowings contain a provision that in a continuing event of default, outstanding obligations may become immediately due and payable.

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