

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

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

9. Long-Term Debt

A summary of long-term debt at June 30, 2022 and 2021 follows:

	<u>2022</u>	Restated <u>2021</u>
2010 Series A Revenue Certificates payable in varying semi-annual amounts ranging from \$1,167,125 to \$1,213,925. Interest rates on coupons are 5.75% payable semiannually on April 20 and October 20.	\$ 23,584,368	\$ 24,527,008
Financed equipment, with interest rate ranging from 1.85% - 5.44% and monthly and quarterly payments ranging from \$714 to \$33,938.	1,298,266	199,584
Paycheck Protection Program, with interest rate of 1.00%.	-	410,550
Cerner Implementation, with interest rate of 0.00% and quarterly payments of \$54,620.	<u>1,686,983</u>	<u>1,551,767</u>
	26,569,617	26,688,909
Less current maturities of long-term debt	<u>1,601,733</u>	<u>1,194,486</u>
Long-term debt	<u>\$ 24,967,884</u>	<u>\$ 25,494,423</u>

Continued

EFFINGHAM COUNTY HOSPITAL AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

9. Long-Term Debt, Continued

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

	Restated 2021 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	2022 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Direct Borrowings:					
Notes Payable	\$ 1,962,317	\$ 469,446	\$ 744,780	\$ 1,686,983	\$ 218,480
Financed Equipment	199,584	1,420,696	322,014	1,298,266	379,681
Revenue Bonds:					
Mortgage	<u>24,527,008</u>	<u>-</u>	<u>942,640</u>	<u>23,584,368</u>	<u>1,003,572</u>
Total long-term debt	<u>\$ 26,688,909</u>	<u>\$ 1,890,142</u>	<u>\$ 2,009,434</u>	<u>\$ 26,569,617</u>	<u>\$ 1,601,733</u>

	Restated 2020 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Restated 2021 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Direct Borrowings:					
Notes Payable	\$ 5,876,787	\$ 410,550	\$ 4,325,020	\$ 1,962,317	\$ 172,419
Financed Equipment	514,223	-	314,639	199,584	79,427
Revenue Bonds:					
Mortgage	<u>25,412,415</u>	<u>-</u>	<u>885,407</u>	<u>24,527,008</u>	<u>942,640</u>
Total long-term debt	<u>\$ 31,803,425</u>	<u>\$ 410,550</u>	<u>\$ 5,525,066</u>	<u>\$ 26,688,909</u>	<u>\$ 1,194,486</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 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.

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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

9. Long-Term Debt, Continued

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. Subsequent to year end, the bonds were refinanced with the issuance of the Series 2022 Refunding and Improvement Revenue Anticipation 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 A 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 mortgage established a debt service reserve fund. The deposits related to this account are included in the assets held by trustee under indenture in the balance sheets. The mortgage also requires the Authority to meet certain measures of financial and operational performance as long as the mortgage is outstanding. The Authority is in compliance with these requirements.

In 2022 and 2021, the Authority entered into finance agreements with interest rates ranging from 1.85% to 5.44% with monthly and quarterly payments ranging from \$714 to \$33,938. The financed equipment is collateralized by the equipment.

On April 18, 2020, the Authority received loan proceeds in the amount of \$4,152,601 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 business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. During 2021, the Authority received full 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.

On March 31, 2021, the Authority received a 2nd draw with loan proceeds in the amount of \$410,550 under the Paycheck Protection Program (PPP). The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. The Authority believes it has used the proceeds for purposes consistent with the PPP. The Authority will recognize any forgiveness of the loan at the time the Authority is legally released from the debt. During 2022, the Authority received full 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.

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.

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EFFINGHAM COUNTY HOSPITAL AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

9. Long-Term Debt, Continued

Scheduled principal and interest repayments on long-term debt 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>
2023	\$ 1,003,572	\$ 1,452,539	\$ 218,480	\$ -
2024	1,068,442	1,387,669	218,480	-
2025	1,137,505	1,318,605	218,480	-
2026	1,211,033	1,245,077	218,480	-
2027	7,335,608	4,944,943	218,480	-
2028-2032	10,033,419	2,247,131	594,583	-
2033-2037	1,794,789	47,291	-	-
Total	<u>\$ 23,584,368</u>	<u>\$ 12,643,255</u>	<u>\$ 1,686,983</u>	<u>\$ -</u>

<u>Year Ending June 30:</u>	<u>Financed Equipment</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 379,681	\$ 49,486
2024	391,021	33,932
2025	326,762	17,974
2026	173,670	5,126
2027	27,132	765
Total	<u>\$ 1,298,266</u>	<u>\$ 107,283</u>

The 2010A Bonds were issued as "Recovery Zone Economic Development Bonds" for purposes of the Revenue Recovery Act, Section 6431 of the Code. Pursuant to the Revenue Recovery Act and the Code, the Authority receives cash subsidy payments from the United States Department of the Treasury equal to 45% of the interest payable on the 2010A Bonds on or about each interest payment date. The rebate of approximately \$ and \$ for 2022 and 2021, respectively. The cash payment does not constitute a full faith and credit guarantee of the United States government, but is required to be paid by the United States Treasury under the Revenue Recovery Act. Pursuant to the provisions of IRS Notice 2009-50, 2009-26 I.R.B. 1118, the State of Georgia was allocated \$355,785,000 of the national Recovery Zone Economic Development Bond volume cap. The Authority received an allocation from the State of Georgia for the 2010A Bonds and has designated the 2010A Bonds as Recovery Zone Economic Development Bonds in order to receive Revenue Recovery Zone Bonds Federal Direct Payments. The Revenue Recovery Zone Bonds Federal Direct Payments are not pledged as security for the 2010A Bonds.

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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022 and 2021

9. Long-Term Debt, Continued

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

10. Employee Health Insurance

The Authority has a self-insurance program under which a third-party administrator processes and pays 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 \$100,000 for each individual employee. Total expenses relative to this plan were approximately \$1,295,000 and \$2,002,000 for 2022 and 2021, respectively.

11. Malpractice Insurance

The Authority is covered by a general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2022 and 2021 are \$1,000,000 per occurrence and \$3,000,000 in aggregate. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority.

Various claims and assertions have been made against the Authority in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate consideration has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

12. Retirement Plan

The Authority provides retirement benefits for its employees through the Effingham Hospital TSA Plan (Plan), a defined contribution plan. Effingham Hospital administers the Plan. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors. Employees are eligible to participate in the elective deferral portion of the Plan on his/her first day of employment. Employees are eligible to participate in the discretionary contributions portion of the Plan upon attainment of two years of service. Employees may make contributions to the Plan such that total contributions do not exceed the maximum annual amount as set periodically by the Internal Revenue Service. Employee contributions to the Plan were approximately \$367,000 and \$483,000 for the years ended June 30, 2022 and 2021, respectively. The Authority contributes equal to 3% of the budgeted compensation of eligible employees each year. The contribution is allocated to the employee's retirement account based on the ratio of employee compensation to total compensation of eligible employees. The Authority's contributions to the Plan were approximately \$131,000 and \$356,000 for the years ended June 30, 2022 and 2021, respectively.

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