

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

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

9. Long-Term Debt and Subscription IT Liabilities

A summary of long-term debt at June 30, 2023 and 2022 follows:

	<u>2023</u>	Restated <u>2022</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
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.	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.	965,590	1,298,266
Subscription IT liabilities, with interest rates of 3.43% and monthly, quarterly, and yearly payments ranging from \$270 to \$176,186.	11,338,413	1,761,755
Cerner Implementation, with interest rate of 0.00% and quarterly payments of \$54,620.	<u>1,468,503</u>	<u>1,686,983</u>
	42,527,506	28,331,372
Less current maturities of long-term debt	<u>3,169,022</u>	<u>1,875,725</u>
Long-term debt	<u>\$ 39,358,484</u>	<u>\$ 26,455,647</u>

Continued

EFFINGHAM COUNTY HOSPITAL AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

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

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

	Restated 2022 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	2023 <u>Balance</u>	Amounts Due Within <u>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>
	Restated 2021 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Restated 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
Subscription IT liabilities	1,627,552	415,100	280,897	1,761,755	273,992
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>\$ 28,316,461</u>	<u>\$ 2,305,242</u>	<u>\$ 2,290,331</u>	<u>\$ 28,331,372</u>	<u>\$ 1,875,725</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

Continued

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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

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 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 was in compliance with these requirements at the time of the refunding.

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

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 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 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

Continued

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

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 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.

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.

In 2023 and 2022, the Authority 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.

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

<u>Year Ending June 30:</u>	<u>Revenue Bonds</u>		<u>Finance Equipment and Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,634,000	\$ 986,297	\$ 581,722	\$ 39,541
2025	1,691,000	930,250	541,642	21,573
2026	1,748,000	872,249	437,131	8,271
2027	1,808,000	812,293	279,015	971
2028	1,870,000	750,278	218,480	-
2029-2033	10,361,000	2,743,862	376,103	-
2034-2038	<u>9,643,000</u>	<u>840,830</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,755,000</u>	<u>\$ 7,936,059</u>	<u>\$ 2,434,093</u>	<u>\$ 70,356</u>

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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

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

<u>Year Ending June 30:</u>	<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 953,300	\$ 378,852
2025	950,425	346,306
2026	959,615	313,265
2027	991,244	279,828
2028	975,705	245,797
2029-2033	3,634,610	771,449
2034-2038	2,103,768	332,292
2039-2043	<u>769,746</u>	<u>26,715</u>
Total	<u>\$ 11,338,413</u>	<u>\$ 2,694,504</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 \$0 and \$570,000 for 2023 and 2022, 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.

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 \$110,000 for each individual employee and \$1,000,000 in the aggregate. Total expenses relative to this plan were approximately \$1,876,000 and \$1,586,000 for 2023 and 2022, respectively.

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