HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

FINANCIAL STATEMENTS

for the years ended July 31, 2025 and 2024

Draffin Tucker

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HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

FINANCIAL STATEMENTS

for the years ended July 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hospital Authority of Ben Hill County,
D/B/A Dorminy Medical Center
Fitzgerald, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Authority of Ben Hill County, D/B/A Dorminy Medical Center (Authority), a component unit of Ben Hill County, Georgia, which comprise the balance sheets as of July 31, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of July 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Authority's ability to continue as a going concern for a reasonable period of time.

Continued

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.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
July 24, 2026

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

BALANCE SHEETS
July 31, 2025 and 2024

ASSETS	2025	2024
Current assets:		
Cash and cash equivalents	$ 859,000	$ 2,080,000
Short-term investments	2,665,000	2,807,000
Patient accounts receivable, net of estimated uncollectibles of $9,719,000 in 2025 and $8,177,000 in 2024	2,819,000	2,998,000
Other receivables	857,000	677,000
Estimated third-party payor settlements	255,000	1,016,000
Supplies, at lower of cost (first-in, first-out) or market	316,000	352,000
Other current assets	633,000	565,000
Total current assets	8,404,000	10,495,000
Noncurrent cash and investments:		
Restricted by bond indenture for debt service	-	58,000
Designated by Board	1,000,000	1,000,000
Restricted as collateral for loan	2,189,000	2,093,000
Restricted as collateral for malpractice	75,000	75,000
Long-term investments	500,000	499,000
Total noncurrent cash and investments	3,764,000	3,725,000
Capital assets:		
Land	85,000	85,000
Construction-in-progress	-	883,000
Depreciable capital assets, net of accumulated depreciation	9,705,000	8,052,000
Intangible right-to-use subscription IT assets, net of accumulated amortization	928,000	578,000
Total capital assets, net	10,718,000	9,598,000
Other assets:		
Other assets	24,000	24,000
Total assets	$ 22,910,000	$ 23,842,000

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

BALANCE SHEETS, Continued
July 31, 2025 and 2024

	2025	2024
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of long-term debt	$ 717,000	$ 703,000
Current installments of subscription IT liabilities	260,000	205,000
Accounts payable	2,486,000	2,171,000
Accrued expenses	1,649,000	2,666,000
Current portion of due to Phoebe Putney Health System, Inc.	200,000	200,000
Unearned revenue	-	232,000
Total current liabilities	5,312,000	6,177,000
Noncurrent liabilities:		
Due to Phoebe Putney Health System, Inc.	1,423,000	1,575,000
Long-term debt, excluding current installments	4,672,000	5,390,000
Subscription IT liabilities, excluding current installments	673,000	380,000
Total noncurrent liabilities	6,768,000	7,345,000
Total liabilities	12,080,000	13,522,000
Net position:		
Net investment in capital assets	5,636,000	4,360,000
Restricted - expendable	1,024,000	770,000
Unrestricted	4,170,000	5,190,000
Total net position	10,830,000	10,320,000
Total liabilities and net position	$ 22,910,000	$ 23,842,000

The accompanying notes are an integral part of the financial statements.

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended July 31, 2025 and 2024

	2025	2024
Operating revenues:		
Net patient service revenue (net of provision for bad debts of $4,850,000 in 2025 and $5,293,000 in 2024)	$ 24,905,000	$ 27,289,000
Other revenue	647,000	773,000
Total operating revenues	25,552,000	28,062,000
Operating expenses:		
Salaries and wages	14,509,000	13,820,000
Employee health and welfare	2,981,000	4,349,000
Medical supplies and other	6,788,000	7,105,000
Professional fees	1,448,000	1,550,000
Purchased services	3,970,000	4,059,000
Depreciation and amortization	1,574,000	1,563,000
Total operating expenses	31,270,000	32,446,000
Operating loss	(5,718,000)	(4,384,000)
Nonoperating revenues (expenses):		
Interest expense	(308,000)	(346,000)
Rural hospital tax credit contributions	1,409,000	658,000
Noncapital grants and contributions	678,000	6,000
Grant stimulus funding	226,000	89,000
Investment income and other	294,000	244,000
Employee retention credit	3,051,000	-
Total nonoperating revenues	5,350,000	651,000
Excess expenses	(368,000)	(3,733,000)
Capital grants and contributions	878,000	737,000
Increase (decrease) in net position	510,000	(2,996,000)
Net position, beginning of year	10,320,000	13,316,000
Net position, end of year	$ 10,830,000	$ 10,320,000

The accompanying notes are an integral part of the financial statements.

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended July 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 25,922,000	$ 26,755,000
Repayment of Medicare advance payments	-	(141,000)
Payments to vendors and other suppliers	(12,833,000)	(12,211,000)
Payments to employees	(18,457,000)	(17,643,000)
Other revenue	641,000	773,000
Net cash used by operating activities	(4,727,000)	(2,467,000)
Cash flows from noncapital financing activities:		
Rural hospital tax credit contributions	1,409,000	658,000
Grant stimulus funding (repayment)	-	(4,000)
Noncapital grants and contributions	678,000	6,000
Employee retention credit	3,051,000	-
Principal paid on long-term debt	(200,000)	(199,000)
Interest paid on long-term debt	(170,000)	-
Net cash provided by noncapital financing activities	4,768,000	461,000
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(504,000)	(504,000)
Principal paid on subscription IT liabilities	(288,000)	(232,000)
Interest paid on long-term debt	(221,000)	(232,000)
Purchase of capital assets	(1,491,000)	(1,512,000)
Capital contributions	845,000	334,000
Net cash used by capital and related financing activities	(1,659,000)	(2,146,000)
Cash flows from investing activities:		
Investment income	294,000	244,000
Purchase of investments	(1,012,000)	(1,842,000)
Net cash used by investing activities	(718,000)	(1,598,000)
Net decrease in cash and cash equivalents	(2,336,000)	(5,750,000)
Cash and cash equivalents, beginning of year	4,695,000	10,445,000
Cash and cash equivalents, end of year	$ 2,359,000	$ 4,695,000

Continued

HOSPITAL AUTHORITY OF BEN HILL COUNTY
D/B/A DORMINY MEDICAL CENTER
(A Component Unit of Ben Hill County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended July 31, 2025 and 2024

	2025	2024
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 859,000	$ 2,080,000
Short-term investments	500,000	1,557,000
Restricted by bond indenture for debt service	-	58,000
Designated by Board	1,000,000	1,000,000
Total cash and cash equivalents	$ 2,359,000	$ 4,695,000
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	$ (5,718,000)	$ (4,384,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	1,574,000	1,563,000
Provision for bad debts	4,850,000	5,293,000
Changes in:		
Patient accounts receivable	(4,671,000)	(5,765,000)
Supplies	36,000	(9,000)
Estimated third-party payor settlements	761,000	(7,000)
Other receivables	(147,000)	(100,000)
Other current assets	(68,000)	(105,000)
Medicare advance payments	-	(141,000)
Accounts payable	(262,000)	796,000
Accrued expenses	(930,000)	524,000
Due to Phoebe Putney Health System, Inc.	(152,000)	(132,000)
Net cash used by operating activities	$ (4,727,000)	$ (2,467,000)

Supplemental disclosures of cash flow information:

- Purchases of capital assets in accounts payable as of July 31, 2025 and 2024 was $567,000 and $225,000, respectively.
- Capital grants and contributions in other receivables as of July 31, 2025 and 2024 was $436,000 and $403,000, respectively.
- The Authority entered into subscription-based information technology arrangements of approximately $636,000 in 2025.

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include the operations of the Hospital Authority of Ben Hill County (Authority). The Authority owns and operates Dorminy Medical Center, an acute care hospital, as well as the DMC Physician Group, LLC (Group), a wholly-owned subsidiary of the Authority. All significant intercompany accounts and transactions have been eliminated.

The County Commissioners nominate persons from whom the Board of Directors selects its members and the County guarantees debt of the Authority related to the Series 2007 Revenue Certificates. For these reasons, the Authority is considered to be a component unit of Ben Hill County, Georgia.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Continued

1. Summary of Significant Accounting Policies, Continued

Short-term Investments

Short-term investments include negotiable and non-negotiable certificates of deposit, with an original term of 12 months or less, and a money market fund invested in U.S. Treasury securities.

Negotiable certificates of deposit are reported at fair value. Non-negotiable certificates of deposit are carried at amortized cost, which approximates fair value.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets restricted by bond indenture for debt service, assets restricted as collateral for malpractice claims, and assets restricted as collateral under a loan agreement. Assets have also been internally designated by the Board for the payment of Phoebe Putney Health System, Inc., liability discussed in Note 8, over which the Board retains control and may at its discretion subsequently use for other purposes. Long-term investments included in noncurrent cash and investments include unrestricted certificates of deposit with original maturity dates greater than 12 months.

Investments

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Amortization of subscription IT assets is included in depreciation and amortization in the accompanying financial statements. The provision for depreciation and amortization is computed on the straight-line method using the estimated useful lives of the respective assets as follows:

Land improvements	15 to 20 Years
Buildings and improvements	20 to 40 Years
Equipment	3 to 7 Years
Right-to-use subscription IT assets	3 to 7 Years

Continued

1. Summary of Significant Accounting Policies, Continued

Costs of Borrowing

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

Financing Cost

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

Compensated Absences

Employees earn Paid Time Off (PTO) at varying rates depending on years of service. PTO can be used for vacation, illness/injury, and holidays. PTO not used at fiscal year-end can be carried over to the next year up to a maximum of 360 hours. Employees who are terminated can be paid for PTO not used pending certain criteria. Physicians employed by the Group are advanced the maximum annual hours allowed at the start of each contract year. These hours are varied by physician and are lost if not used.

The Authority estimates how much of the accumulated leave is more likely than not to be used as paid leave during employment and upon termination and recognizes that portion as a liability for compensated absences. The estimated amount of PTO payable is reported as an accrued expense in both 2025 and 2024.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grant stimulus advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 17 for additional information.

Continued

1. Summary of Significant Accounting Policies, Continued

Subscription-Based Information Technology Arrangements

The Authority has subscription-based information technology arrangements (SBITAs). The Authority recognizes a subscription IT liability and an intangible right-to-use subscription asset (subscription IT asset) in its financial statements. At the commencement of the subscription term, which is when the subscription IT asset is placed into service, the Authority initially measures the subscription IT liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, adjusted for payments made at or before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription IT asset is amortized on a straight-line basis over the shorter of the subscription term or the estimated useful life of the underlying IT asset.

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

- The Authority uses the implicit interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not readily determinable, the Authority generally uses its estimated incremental borrowing rate as the discount rate. Amortization of the discount on the subscription IT liability is included in interest expense in the financial statements.

- The subscription term includes the non-cancellable period. Subscription payments included in the measurement of the subscription IT liability are composed of fixed payments and other payments that are reasonably certain of being required.

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

Continued

1. Summary of Significant Accounting Policies, Continued

Subscription-Based Information Technology Arrangements, Continued

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following stages:

- Preliminary Project Stage - Outlays are expensed as incurred.
- Initial Implementation Stage - Outlays are generally capitalized as an addition to the subscription IT asset.
- Operation and Additional Implementation Stage - Outlays are expensed as incurred unless specific capitalization criteria is met.

Subscription IT assets are reported with capital assets and subscription IT liabilities are reported with current and noncurrent liabilities on the balance sheets.

Net Position

Net position of the Authority is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities related to those assets that must be used for a particular purpose, as specified by grantors or contributors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 7. *Unrestricted net position* is the remaining net amount of assets and liabilities that does not meet the definition of *net investment in capital assets* or *restricted net position*.

Net Patient Service Revenue

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

Continued

1. Summary of Significant Accounting Policies, Continued

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as 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 health care services - the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Authority receives grants from Ben Hill County and the State of Georgia, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 17 for additional information.

Restricted Resources

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

Income Taxes

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

Continued

1. Summary of Significant Accounting Policies, Continued

Risk Management

The Authority is exposed to various risks of loss from torts; theft of; damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 13 for additional information related to the Authority's general and professional coverage.

Estimated Insurance Costs

The provisions for estimated malpractice claims and estimated medical claims under the Authority's employee health insurance plan include estimates of the ultimate costs for both reported claims and claims incurred but not reported. See Note 13 for additional information related to the Authority's general and professional coverage and Note 11 for further information regarding the employee health insurance plan.

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended July 31, 2025 and 2024.

Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB 72 describes the following three levels of inputs that may be used:

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

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

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

Recently Adopted Accounting Pronouncement

In June 2022, the GASB issued Statement No. 101, Compensated Absences (GASB 101). GASB 101 updates the recognition, measurement, and disclosure guidance for compensated absences. The Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Authority adopted GASB 101 on August 1, 2024 and retroactively implemented the statement effective August 1, 2023. The adoption of GASB 101 did not have a material effect on the prior period financial statements. Therefore, no restatement of the prior period was necessary.

Continued

2. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 57% and 10%, respectively, of the Authority's net patient revenue for the year ended July 31, 2025, and 57% and 11%, respectively, of the Authority's net patient revenue for the year ended July 31, 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. There has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program.

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

- Medicare

  Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  Inpatient psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge.

  The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through July 31, 2024.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2022.

The Authority has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The Authority participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The net amount of ICTF payments recognized in net patient service revenue was $1,226,000 and $1,278,000 for the years ended July 31, 2025 and 2024, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was $217,000 and $191,000 for the years ended July 31, 2025 and 2024, respectively.

During 2022, Medicaid implemented the Medicaid CMOs Directed Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was $206,000 and $32,000 for the years ended July 31, 2025 and 2024, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health (DCH). The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. For the years ended July 31, 2025 and 2024, expenses relating to the Act and included in medical supplies and other in the accompanying statements of revenues, expenses and changes in net position amounted to $347,000 and $237,000, respectively.

- Other Arrangements

  The Authority has also entered into 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.

Continued

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2025 and 2024 were $64,827,000 and $59,265,000, respectively.

Uncompensated care includes charity and indigent care services of $3,322,000 and $2,877,000 in 2025 and 2024, respectively. The cost of charity and indigent care services provided during 2025 and 2024 was $1,169,000 and $1,090,000, respectively computed by applying a total cost factor to the charges forgone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2025 and 2024.

	2025	2024
Gross patient charges	$ 89,732,000	$ 86,554,000
Uncompensated services:		
Charity and indigent care	3,322,000	2,877,000
Medicare	28,682,000	24,593,000
Medicaid	7,170,000	7,654,000
Other allowances	20,803,000	18,848,000
Bad debts	4,850,000	5,293,000
Total uncompensated care	64,827,000	59,265,000
Net patient service revenue, net of provisions for bad debts	$ 24,905,000	$ 27,289,000

Continued

4. Bank Deposits and Investments

Deposits and investments as of July 31, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Balance sheets:		
Cash and cash equivalents	$ 859,000	$ 2,080,000
Short-term investments	2,665,000	2,807,000
Noncurrent cash and investments:		
Restricted by bond indenture for debt service	-	58,000
Designated by Board	1,000,000	1,000,000
Restricted as collateral for loan	2,189,000	2,093,000
Restricted as collateral for malpractice	75,000	75,000
Long-term investments	500,000	499,000
Total	$ 7,288,000	$ 8,612,000
Deposits and investments consist of the following:		
Deposits:		
Deposits with financial institutions	$ 1,859,000	$ 3,138,000
Certificates of deposit (non-negotiable)	2,264,000	2,168,000
Investments:		
Certificates of deposit (negotiable)	3,165,000	2,499,000
U.S. Treasury securities MMF	-	807,000
Total	$ 7,288,000	$ 8,612,000

The Authority's restricted as collateral for malpractice investment as of July 31, 2025 and 2024 consists of a 12-month non-negotiable certificate of deposit of with a maturity date of May 3, 2026.

The Authority's restricted as collateral for loan investment as of July 31, 2025 and 2024 consists of a 12-month non-negotiable certificate of deposit with a maturity date of March 14, 2026.

Continued

4. Bank Deposits and Investments, Continued

The U.S. Treasury securities money market fund is classified as level 2 on the fair value hierarchy as these funds are ordinarily permitted to utilize amortized cost accounting to value their portfolio securities and transact at a stable $1.00 share price. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as level 2. The U.S. Treasury securities money market fund maintains a Standard & Poor's fund rating of AAAm, and the weighted average maturity of the fund will be 60 days or less.

The negotiable certificates of deposit are classified as level 2 on the fair value hierarchy and are valued based on observable inputs such as quoted prices for similar instruments, matrix pricing, or yields. The negotiable certificates of deposit are not rated by a nationally recognized statistical rating organization.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. Government securities held by the pledging financial institution's trust department in the name of the Authority. The Authority's bank deposits at July 31, 2025 and 2024 are entirely insured or collateralized with securities held by the pledging financial institution's designated trustee in the Authority's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have an investment policy for custodial credit risk. However, cash and U.S Treasury securities held in the Authority's brokerage account are protected by insurance coverage in the amount of $500,000, which includes a $250,000 limit for cash, through the Securities Investor Protection Corporation (SIPC). Negotiable certificates of deposit held in the Authority's brokerage account are fully insured by the issuing bank's FDIC insurance.

The Authority manages its exposure to declines in fair values from rising interest rates by investing in securities with short to intermediate maturities. The Authority's investment policy requires that all fixed income securities have an expected life of ten years or less. The Authority's negotiable certificates of deposit have maturity dates ranging from 3 to 18 months from the date of purchase.

Continued

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority consisted of the following amounts at July 31, 2025 and 2024:

	2025	2024
Patient accounts receivable:		
Receivable from patients and their insurance carriers	$ 8,080,000	$ 6,698,000
Receivable from Medicare	3,766,000	3,682,000
Receivable from Medicaid	692,000	795,000
Total patient accounts receivable	12,538,000	11,175,000
Less allowance for uncollectible amounts and contractual allowances	9,719,000	8,177,000
Patient accounts receivable, net	$ 2,819,000	$ 2,998,000
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	$ 1,532,000	$ 2,066,000
Payable to suppliers	2,482,000	2,151,000
Other	121,000	620,000
Total accounts payable and accrued expenses	$ 4,135,000	$ 4,837,000

Continued

6. Capital Assets

A summary of capital assets at July 31, 2025 and 2024 follows:

	2024 Balance	Additions	Transfers and Retirements	2025 Balance
Land	$ 85,000	$ -	$ -	$ 85,000
Construction-in-progress	883,000	1,355,000	(2,238,000)	-
Capital assets not being depreciated	968,000	1,355,000	(2,238,000)	85,000
Land improvements	283,000	-	-	283,000
Buildings and improvements	23,338,000	13,000	2,204,000	25,555,000
Equipment	13,374,000	689,000	(443,000)	13,620,000
Capital assets being depreciated	36,995,000	702,000	1,761,000	39,458,000
Less accumulated depreciation for:				
Land improvements	283,000	-	-	283,000
Buildings and improvements	17,525,000	762,000	(1,000)	18,286,000
Equipment	11,135,000	526,000	(477,000)	11,184,000
Total accumulated depreciation	28,943,000	1,288,000	(478,000)	29,753,000
Capital assets being depreciated, net	8,052,000	(586,000)	2,239,000	9,705,000
Subscription IT assets	1,235,000	636,000	(283,000)	1,588,000
Less accumulated amortization for subscription IT assets	657,000	286,000	(283,000)	660,000
Intangible right-to-use subscription IT assets, net	578,000	350,000	-	928,000
Total capital assets, net	$ 9,598,000	$ 1,119,000	$ 1,000	$ 10,718,000

Continued

6. Capital Assets, Continued

	2023 Balance	Additions	Transfers and Retirements	2024 Balance
Land	$ 85,000	$ -	$ -	$ 85,000
Construction-in-progress	141,000	898,000	(156,000)	883,000
Capital assets not being depreciated	226,000	898,000	(156,000)	968,000
Land improvements	283,000	-	-	283,000
Buildings and improvements	22,675,000	547,000	116,000	23,338,000
Equipment	13,042,000	292,000	40,000	13,374,000
Capital assets being depreciated	36,000,000	839,000	156,000	36,995,000
Less accumulated depreciation for:				
Land improvements	283,000	-	-	283,000
Buildings and improvements	16,733,000	792,000	-	17,525,000
Equipment	10,608,000	527,000	-	11,135,000
Total accumulated depreciation	27,624,000	1,319,000	-	28,943,000
Capital assets being depreciated, net	8,376,000	(480,000)	156,000	8,052,000
Subscription IT assets	1,235,000	-	-	1,235,000
Less accumulated amortization for subscription IT assets	413,000	244,000	-	657,000
Intangible right-to-use subscription IT assets, net	822,000	(244,000)	-	578,000
Total capital assets, net	$ 9,424,000	$ 174,000	$ -	$ 9,598,000

Continued

7. Long-Term Debt and Subscription IT Liabilities

A summary of long-term debt and subscription IT liabilities at July 31, 2025 and 2024 follows:

	2025	2024
Revenue Anticipation Certificates, 2007 Series, principal maturing in varying annual amounts beginning July 1, 2010 and ending July 1, 2032. Interest payable semi-annually beginning July 1, 2008, including unamortized bond premium.	$ 4,142,000	$ 4,627,000
2.75% note payable, due in monthly installments of $1,500 with final payment due December 2025, collateralized by equipment.	7,000	26,000
Variable interest rate note payable with an interest rate equal to the Planters First Bank C.D. rate plus 2.00% (5.75% at July 31, 2025), due in annual installments of $200,000 with final payment due December 2032, collateralized by certificate of deposit.	1,240,000	1,440,000
	5,389,000	6,093,000
Less current portion of long-term debt	717,000	703,000
Long-term debt, excluding current portion	$ 4,672,000	$ 5,390,000
Subscription IT liabilities - Various software licenses and remote hosting arrangements, two to seven year terms, monthly payments with interest ranging from 3.25% to 8.50%.	$ 933,000	$ 585,000
Less current portion of subscription IT liabilities	260,000	205,000
Subscription IT liabilities, excluding current portion	$ 673,000	$ 380,000

Continued

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

Under the terms of the 2007 Series Revenue Certificates Indenture, the Authority is required to maintain certain deposits with a trustee. The required deposit amount was not met as of July 31, 2025, but was met as of July 31, 2024. The deposit is included with noncurrent cash and investments in the balance sheets. The Certificates also require that the Authority produce a debt service coverage ratio equal to or exceeding 110% during each year. The Authority met the required debt service coverage ratio in 2025, but did not produce the required debt service coverage ratio in 2024. Due to the Certificates being backed by the County, no further action is currently being required of the Authority.

The Revenue Anticipation Certificates, Series 2007 were issued by the Authority for the purpose of financing the costs of making capital improvements to the Hospital. The Certificates bear an interest rate of 4.00% on the maturities through July 1, 2027 and 4.125% on the maturities after that date. The Certificates are collateralized by the gross operating revenues of the Authority. The Authority and Ben Hill County entered into a contract in which the Authority agreed to make the Hospital facilities and services available to the residents of Ben Hill County. The County agreed to make payments to the Authority in amounts sufficient to enable the Authority to pay the principal and interest on the Certificates to the extent the net operating revenues of the Authority are insufficient to make the payments, and the County agreed to levy an ad valorem tax on all taxable property within the County that may be necessary in each year to fulfill the County's obligation under the contract. The Authority did not receive any taxes during fiscal years ended July 31, 2025 and 2024.

The Series 2007 Certificates maturing on or before July 1, 2018 may not be called for optional redemption prior to maturity. The Certificates maturing on or after July 1, 2019 are subject to redemption prior to maturity at the option of the Authority on or after July 1, 2018, at a redemption price of 100% of principal plus accrued interest.

In 2018, the Authority obtained a loan from the Fitzgerald Water, Light and Bond Commission, an agency and instrumentality of the City of Fitzgerald, Georgia, for $2,300,000. The debt was issued for the purpose of funding operations of the Authority. The debt incurs interest at a variable rate equal to the New York Prime Rate plus 1%, and will be paid in monthly installments of $19,361 with the final payment due March 2033. The debt is collateralized by the Authority's equipment, furniture, and fixtures. The loan was paid off early in March 2023 with the issuance of the Planters First Bank loan during 2023.

In 2023, the Authority obtained a loan from Planters First Bank for $2,001,000. The debt was issued for the purpose of paying off the loan with Fitzgerald Water, Light and Bond Commission. The debt incurs interest at a variable rate equal to the Planters First Bank CD rate plus a margin of 2%, and will be paid in annual installments of $200,000 with final payments due December 2032. The debt is collateralized by a certificate of deposit.

Continued

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

The revenue certificates and notes payable contain provisions that in an event of default, the lenders may declare the debt due and payable immediately.

The Authority has subscription-based information technology arrangements (SBITAs) that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles.

Expenses for the SBITA activity of the Authority for the years ended July 31, 2025 and 2024 are as follows:

	2025	2024
Right-to-use subscription IT asset amortization	$ 286,000	$ 244,000
Subscription IT liability interest expense	39,000	23,000
Total subscription IT cost	$ 325,000	$ 267,000

None of the SBITAs contain provisions for variable payments. Additionally, there are no other payments, such as termination penalties, not previously included in the measurement of the subscription IT liability.

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

Year Ending	Revenue Bonds		Direct Borrowing/Placement		Subscription IT Liabilities	
July 31,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 510,000	$ 169,000	$ 207,000	$ 81,000	$ 260,000	$ 50,000
2027	535,000	148,000	200,000	66,000	203,000	37,000
2028	560,000	127,000	200,000	54,000	199,000	28,000
2029	585,000	104,000	200,000	43,000	84,000	19,000
2030	615,000	80,000	200,000	31,000	91,000	12,000
2031-2032	1,321,000	82,000	240,000	29,000	96,000	6,000
Total	4,126,000	$ 710,000	$ 1,247,000	$ 304,000	$ 933,000	$ 152,000
Plus bond premium	16,000					
Total	$ 4,142,000					

Continued

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

A schedule of changes in the Authority's long-term debt and subscription IT liabilities for 2025 and 2024 follows:

	2024 Balance	Additions	Reductions	2025 Balance	Current Portion
Revenue certificates, Series 2007:					
Principal	$ 4,611,000	$ -	$ 485,000	$ 4,126,000	$ 510,000
Premium	16,000	-	-	16,000	-
Direct borrowings:					
Notes payable	1,466,000	-	219,000	1,247,000	207,000
Subscription IT liabilities	585,000	623,000	275,000	933,000	260,000
Total long-term debt	$ 6,678,000	$ 623,000	$ 979,000	$ 6,322,000	$ 977,000

	2023 Balance	Additions	Reductions	2024 Balance	Current Portion
Revenue certificates, Series 2007:					
Principal	$ 5,076,000	$ -	$ 465,000	$ 4,611,000	$ 485,000
Premium	16,000	-	-	16,000	-
Direct borrowings:					
Notes payable	1,681,000	-	215,000	1,466,000	218,000
Financed obligations	23,000	-	23,000	-	-
Subscription IT liabilities	817,000	-	232,000	585,000	205,000
Total long-term debt	$ 7,613,000	$ -	$ 935,000	$ 6,678,000	$ 908,000

Continued

8. Management Agreement

Phoebe Putney Health System, Inc. (System) notified the Authority of its intent to terminate the management agreement with the Authority on March 7, 2014. As a part of the notice, the System requested payment of amounts owed by the Authority. These amounts include two lines-of-credit, a note payable, and amounts paid by the System on the Authority's behalf for employee benefit.

In response, the Authority filed a complaint for breach of contract. In June 2022, a confession of judgment was filed with the Superior Court of Ben Hill County, Georgia, which contained the settlement agreement reached between the Authority and the System. The settlement agreement states the Authority will pay the System $2,108,000 in annual installments beginning March 31, 2023, with the remaining annual payments being due on or before March 31 of each year. The annual payment amount will be equal to 10% of the annual amount received from the Georgia Rural Tax Credit program, or successor program, or $200,000, whichever is less.

The annual installments will be made each year until the obligation is paid in full. However, if the Georgia Rural Tax Credit program or successor program is extinguished or terminated, this obligation shall not be repaid. In addition, the Authority may also be required to pay the System an additional $2,892,000 if certain triggering events occur within 14 years of the settlement agreement. After 14 years, this additional obligation will be satisfied. Such triggering events include: (a) any acquisition involving the Authority, except for a merger or association with an independent rural hospital, (b) any merger involving 50% or more of the total assets of the Authority, except for a merger or association with an independent rural hospital, (c) any reorganization of the Authority for the purpose of sale or lease of Authority assets, except for a merger or association with an independent rural hospital, (d) bankruptcy filing by the Authority, entry into or ordering of a receivership with respect to the Authority, (f) closing of Dorminy Medical Center, (g) dissolution of the Authority, and (h) certain legal actions taken against the Authority. Management does not believe these triggering events are probable and, therefore, has not recorded an accrual for the additional amount as of July 31, 2025. The remaining amount owed to the System as of July 31, 2025 and 2024 is $1,623,000 and $1,775,000, respectively.

Continued

9. Commitments and Contingencies

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Authority has implemented a compliance plan focusing on such issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

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

Litigation

The Authority is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See malpractice insurance disclosures in Note 13.

Continued

10. Concentration of Credit Risk

The Authority grants credit without collateral to patients, substantially all of whom are local residents of Ben Hill County and the immediate surrounding counties of Georgia, and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at July 31, 2025 and 2024 was as follows:

	2025	2024
Medicare	34%	38%
Medicaid	6%	8%
Other third-party payors	19%	21%
Patients	41%	33%
Total	100%	100%

11. Employee Health Insurance

The Authority participates in a self-insured plan whereby the Authority pays employee health claims as incurred. The Authority utilizes a third-party administrator to process and pay claims, and the Authority has purchased stop-loss insurance coverage for claims in excess of $100,000. Total expenses related to employee health insurance under this plan was $1,424,000 and $3,184,000 for 2025 and 2024, respectively, and is included in the statements of revenues, expenses and changes in net position as employee health and welfare.

Continued

12. Retirement Plan

As of June 1, 2014, employees may participate in the Ben Hill County Hospital Authority, DBA Dorminy Medical Center 401(a) Plan, a defined contribution plan established by the Authority and administered by VALIC to provide benefits at retirement to substantially all employees of the Authority. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors.

Employees may make voluntary contributions to the Plan. The Authority matches employee contributions up to a maximum of 3% of the employees' annual compensation. The Authority's matching contributions during 2025 and 2024 were $202,000 and $204,000, respectively. The Authority had no liability outstanding related to the Plan at July 31, 2025 and 2024.

Employees are vested immediately in their contributions. Vesting in the Authority's contribution portion of their accounts is based on years of continuous services. Forfeited nonvested accounts may be used to pay Plan expenses. The Authority recognized no forfeitures in pension expense during 2025 or 2024.

13. Malpractice Insurance

The Authority is covered by a claims-made 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 coverage for July 31, 2025 and 2024 are $1 million per occurrence and $3 million in aggregate, with excess coverage of $2 million per occurrence and 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.

Continued

14. Fair Values of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, short-term investments, accounts payable, accrued expenses, estimated third-party payor settlements, and unearned revenue:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Noncurrent cash and investments:* These assets consist of cash, negotiable certificates of deposit, and non-negotiable certificates of deposit. Cash and non-negotiable certificates of deposit and are stated at amortized cost, which approximates its fair value. See Note 4 for fair value measurement disclosures for negotiable certificates of deposit.

- *Long-term debt:* The fair value of the Authority's Revenue Certificates is estimated based on the quoted market value for same or similar debt instruments. The fair value of the Authority's other long-term debt is estimated using discounted cash flow analysis, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of variable rate obligations approximates fair value.

The carrying amounts and estimated fair values of the Authority's long-term debt at July 31, 2025 and 2024 are as follows:

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 5,389,000	$ 4,831,000	$ 6,093,000	$ 5,523,000

Continued

15. Related Party Transactions

The Dorminy Medical Center Foundation (Foundation) was incorporated on November 4, 1985. The Foundation began operations during the year ended July 31, 1986 and received its determination letter approving its tax-exempt status from the Internal Revenue Service.

The Foundation's tax-exempt status was revoked as of October 15, 2016. On September 6, 2018, the tax-exempt status was retroactively reinstated by the Internal Revenue Service from the date of revocation. The purpose of the Foundation is to solicit contributions for the benefit of the Authority. Because of the existence of common directors and other factors, the Authority and the Foundation are related parties.

A summary of the Foundation's financial position and changes in net assets as of July 31, 2025 and 2024 are as follows:

	2025	2024
Assets:		
Cash and cash equivalents	$ 135,000	$ 103,000
Net assets:		
Net assets	$ 135,000	$ 103,000
Support and revenue	$ 104,000	$ 64,000
Expenses	(72,000)	(47,000)
Net assets, beginning of year	103,000	86,000
Net assets, end of year	$ 135,000	$ 103,000

16. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar year 2017 through 2029. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2025 and 2024. Contributions received under the program were $1,409,000 and $658,000 during fiscal years 2025 and 2024, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

Continued

17. Grants and Contributions

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. On March 11, 2021, the *American Rescue Plan Act* (ARP) was passed. This Act provides additional funding to replenish and supplement key programs, including funds to hospitals and other providers that serve patients living in rural areas. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position. In 2025 and 2024, the Authority recognized $226,000 and $89,000, respectively, in grant stimulus funding. Grant stimulus funding may be subject to audits. While the Authority currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility that payments could be recouped based on changes in reporting requirements or audit results.

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment. After that first year, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the Authority for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. If the total amount of advance payment has not been recouped during this time-period (a total of 29 months), CMS will issue a letter requiring repayment of any outstanding balance, subject to an interest rate of four percent. In April 2020, the Authority received $2,345,000 in advanced payments and repaid the remaining balance owed during 2024.

The CARES Act also provided for an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2021. The Authority qualified for the tax credits under the CARES Act and filed Forms 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the eligible quarters. The Authority received funds of approximately $3,051,000 net of expenses, during 2025 and has recognized the refunds in nonoperating revenues. The ERC may be subject to IRS examination. While the Authority currently believes it qualified to receive the tax credits, there is a possibility payment could be recouped based on IRS examination results.