

HOSPITAL AUTHORITY OF VALDOSTA  
AND LOWNDES COUNTY, GEORGIA

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FINANCIAL STATEMENTS

for the years ended September 30, 2025 and 2024



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HOSPITAL AUTHORITY OF VALDOSTA  
AND LOWNDES COUNTY, GEORGIA

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FINANCIAL STATEMENTS

for the years ended September 30, 2025 and 2024

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Hospital Authority of Valdosta  
and Lowndes County, Georgia  
Valdosta, Georgia

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

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Hospital Authority of Valdosta and Lowndes County, Georgia (Authority), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Hospital Authority of Valdosta and Lowndes County, Georgia as of September 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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 opinions.

#### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2025 the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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.

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.

Continued

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 8 and the Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions on pages 67 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, 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, 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  
December 16, 2025



## **Management's Discussion and Analysis For the Year Ending September 30, 2025**

MSG Management's discussion and analysis of the Hospital Authority of Valdosta and Lowndes County, Georgia's (Authority) financial performance provides an overview of the Authority's financial performance during the fiscal years ended September 30, 2025, 2024, and 2023. This discussion is intended to be read in conjunction with the Authority's financial statements and accompanying notes.

### Financial Highlights

- The Authority's net position increased by \$38.3 million and \$60.7 million in 2025 and 2024, respectively.
- The Authority reported a net operating gain of \$10.4 million \$18.2 million for 2025 and 2024, respectively.

### Using This Annual Report

The Authority's financial statements consist of three statements: a balance sheet; a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority, but restricted for specific purposes by contributors, grantors, or enabling legislation.

### The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

In accrual accounting, revenues are reported when earned regardless of when cash is received, and expenses are reported as incurred irrespective of when they are paid. The balance sheet and statement of revenues, expenses, and changes in net position report the Authority's net position and changes in net position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors should be considered, such as changes in the Authority's volume, payor mix, and measures of the quality of service it provides to the community, as well as local economic and demographic factors to assess the overall financial health of the Authority.

### The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

Continued

**Management's Discussion and Analysis  
For the Year Ending September 30, 2025**

The Authority's Net Position

The Authority's net position is the difference between its assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources reported on the Balance Sheet. The following table summarizes the Balance Sheets as of September 30, for the fiscal years ending 2025, 2024, and 2023:

Balance Sheet Data

	(Dollars In Thousands)		
	<u>2025</u>	Restated <u>2024</u>	<u>2023</u>
Current assets	\$ 136,229	\$ 111,296	\$ 106,792
Noncurrent cash and investments	332,746	382,955	210,949
Capital assets, net	299,918	230,503	195,488
Other non-current assets	6,552	3,033	2,127
Deferred outflows of resources	<u>2,577</u>	<u>6,791</u>	<u>14,007</u>
 Total assets and deferred outflows of resources	 <u>\$ 778,022</u>	 <u>\$ 734,578</u>	 <u>\$ 529,363</u>
 Current liabilities	 \$ 110,593	 \$ 94,874	 \$ 77,957
Long-term debt	257,146	267,060	130,660
Lease and subscription IT liabilities	16,808	17,491	20,203
Net pension liability	-	1,250	6,017
Deferred inflows of resources	1,728	448	906
Net position	<u>391,747</u>	<u>353,455</u>	<u>293,620</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 778,022</u>	 <u>\$ 734,578</u>	 <u>\$ 529,363</u>

The information presented for the fiscal year ending September 30, 2023 was not restated for the effect of GASB 101.

Continued

**Management's Discussion and Analysis  
For the Year Ending September 30, 2025**

The following table summarizes the revenues and expenses for the years ended September 30, 2025, 2024, and 2023:

Statement of Revenue and Expense Data

	<u>(Dollars In Thousands)</u>		
	<u>2025</u>	Restated <u>2024</u>	<u>2023</u>
Operating revenues	<u>\$ 598,802</u>	<u>\$ 560,982</u>	<u>\$ 485,961</u>
Expenses:			
Operating expenses	556,219	514,999	454,940
Depreciation and amortization	<u>32,190</u>	<u>27,743</u>	<u>25,492</u>
Total expenses	<u>588,409</u>	<u>542,742</u>	<u>480,432</u>
Operating income	10,393	18,240	5,529
Nonoperating revenue (expenses):			
Investment income	26,637	49,377	29,811
Interest expense	(10,812)	(11,298)	(6,628)
Loss on disposal of capital assets and other	(3,499)	-	-
Noncapital grants and contributions	<u>7,147</u>	<u>1,419</u>	<u>2,566</u>
Excess revenues before capital contributions	29,866	57,738	31,278
Capital grants and contributions	<u>8,426</u>	<u>2,970</u>	<u>450</u>
Change in net position	<u>\$ 38,292</u>	<u>\$ 60,708</u>	<u>\$ 31,728</u>

Continued

**Management's Discussion and Analysis  
For the Year Ending September 30, 2025**

A recap of the Authority's long-term debt outstanding at September 30, 2025, 2024, and 2023, follows:

		(Dollars In Thousands)		
<u>Description</u>	<u>Interest Rates</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenue Certificates, Series 2019A	4.00%-5.00%	\$ 35,055	\$ 36,760	\$ 38,380
Revenue Certificates, Series 2019B	2.60%-3.75%	82,020	85,205	88,305
Revenue Certificates, Series 2024	4.13%-5.00%	131,290	131,290	-
Other financing obligations	Variable rates	<u>1,096</u>	<u>2,248</u>	<u>2,560</u>
Total long-term debt, excluding discounts and premiums		<u>\$ 249,461</u>	<u>\$ 255,503</u>	<u>\$ 129,245</u>

The Authority's investment in capital assets placed in service during 2025, 2024, and 2023, is summarized in the table below:

		(Dollars In Thousands)		
<u>Capital Assets</u>		<u>2025</u>	<u>2024</u>	<u>2023</u>
Construction/renovation projects		\$ 36,626	\$ 19,089	\$ 7,614
Movable equipment		36,249	16,436	8,342
Information system upgrades		<u>3,834</u>	<u>3,226</u>	<u>1,074</u>
Net capital asset additions		<u>\$ 76,709</u>	<u>\$ 38,751</u>	<u>\$ 17,030</u>

See Notes 7 and 8 to the financial statements for additional information about the capital assets and debt of the Authority.

The September 2025 financials resulted in SGMC Health ending the fiscal year with strong revenue growth, positive EBITDA, and operating income. SGMC Health expanded access, successfully recruited staff, improved patient experience, and reinvested in vital facilities and equipment to strengthen both current and future health care delivery for South Georgia. The continued focus and dedication of all staff, both clinical and support, helped make 2025 a respectable operational and financial year.

From a volume standpoint, SGMC Health experienced solid growth in inpatient and outpatient areas overall. Capital investment in facilities and equipment produced a modern SGMC Berrien emergency department and the start of the construction project at the main campus. SGMC Health also opened an additional nursing unit to accommodate volume and alleviate patient holding in the emergency department. Inpatient discharges and patient days experienced increases over prior year and budget.

Continued

## Management's Discussion and Analysis For the Year Ending September 30, 2025

SGMC Health also experienced an increase in case mix index, supported by being able to care for higher acuity patients through the trauma, cardiology, vascular, and inpatient surgery service lines. Outpatient areas with continued growth included imaging modalities, outpatient surgery, outpatient visits, SPN clinic visits, and Urgent Care visits. The continued growth of SGMC Health will provide opportunities for market share growth externally and efficiencies internally.

SGMC Health ended FY 2025 with an operating revenue of \$598.8 million, EBITDA of \$72.9 million, and operating income of \$10.4 million. A thorough review of the balance sheet revealed needed adjustments, some dating prior to 2020. These adjustments to the balance sheet yielded a \$2.1 million negative impact on the income statement for the month of September.

SGMC Health's 2025 financial performance did not meet budget for EBITDA or operating income for the year. Operating indicators for 2025 include:

- Inpatient Discharges: 16,864, 1.0% above budget and 2.9% above prior year
- Observation Days: 6,065, 2635% below budget and 25.9% below prior year
- Emergency Department Visits: 104,166, 5.1% below budget and 2.9% below prior year
- Surgeries: 12,482, 4.8% above budget and 10.3% above prior year
- Salaries, Wages, and Benefits as a % of Net Patient Service Revenue: 50.7%, 0.2% above budget and 0.9% above prior year

From a blended volume standpoint, adjusted discharges were above budget by 3.3% and 5.6% above prior year. Heart catheterizations were above budget by 1.0% and 0.4% above prior year. Outpatient visits (including SPN) were above budget by 3.7% and above the prior year by 8.7%. Case mix index, a measurement of acuity, was 1.4% above budget and 3.0% above prior year. On a summary level for volume, the indicators returned to a normal level of variation.

Overall, the results had the following variations in the 2025 Operating Statement:

- EBITDA of \$72.9 million (\$1.5 million, 3.5% below budget, \$23.9 million, 24.7% below prior year)
- Operating Income of \$10.4 million (\$6.4 million, 0.9% below budget, \$7.8 million, 43.0% below prior year)
- Gross Revenue exceeded \$2.1 billion (\$20.0 million, 0.9% below budget, \$162.4 million, 8.3% above prior year)
- Operating Revenue exceeded \$598.8 million (\$20.9 million, 3.6% above budget, \$37.8 million, 6.7% above prior year)
- Operating Expenses were \$588.4 million (\$22.4 million, 4.1% above budget, \$45.7 million, 8.4% above prior year)
- Cash and Cash Equivalents were \$363.6 million, a decrease of \$45.4 million from prior year, mostly impacted by building project funding, working capital changes, and operations

SGMC Health also has several projects with third party agencies that should yield favorable results in the upcoming months.

Continued

## **Management's Discussion and Analysis For the Year Ending September 30, 2025**

### Fiduciary Fund

As described in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* in 2021. Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the Authority. The Authority is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust arrangements. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Authority's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The Authority's South Georgia Medical Center Retirement Plan (Note 12) is reported under the fiduciary fund. Since the resources of this fund are not available to support the Authority's own programs, the fund is not reflected in the Authority's financial statements. The statements of fiduciary net position and the statements of changes in fiduciary net position can be found on pages 14 and 15, respectively, of this report.

### Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Authority finance department at Hospital Authority of Valdosta and Lowndes County, Georgia, 2501 North Patterson Street, Valdosta, GA 31603.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEETS  
September 30, 2025 and 2024

	(Dollars In Thousands)	
	<u>2025</u>	Restated <u>2024</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current assets:		
Cash and cash equivalents	\$ 18,433	\$ 13,518
Short-term investments	12,394	12,490
Patient accounts receivable, net of estimated uncollectibles of \$84,700 in 2025 and \$43,457 in 2024	62,790	55,728
Other receivables	14,760	10,271
Supplies (first-in, first-out)	16,435	13,928
Estimated third-party payor settlements	2,273	1,128
Other current assets	<u>9,144</u>	<u>4,233</u>
Total current assets	<u>136,229</u>	<u>111,296</u>
Noncurrent cash and investments:		
Internally designated for capital improvements	228,824	251,743
Restricted by trustee for capital projects	<u>103,922</u>	<u>131,212</u>
Total noncurrent assets	<u>332,746</u>	<u>382,955</u>
Capital assets:		
Non-depreciable	79,662	55,680
Depreciable, net of accumulated depreciation	194,540	149,595
Intangible right-to-use lease assets and subscription IT assets, net of accumulated amortization	<u>25,716</u>	<u>25,228</u>
Total capital assets, net	<u>299,918</u>	<u>230,503</u>
Other assets:		
Net pension asset	1,924	-
Other assets	<u>4,628</u>	<u>3,033</u>
Total other assets	<u>6,552</u>	<u>3,033</u>
Total assets	775,445	727,787
Deferred outflows of resources	<u>2,577</u>	<u>6,791</u>
Total assets and deferred outflows of resources	<u>\$ 778,022</u>	<u>\$ 734,578</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEETS, Continued  
September 30, 2025 and 2024

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	Restated <u>2024</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 7,257	\$ 5,841
Current maturities of lease and subscription IT liabilities	7,799	5,971
Accounts payable	46,709	34,745
Accrued expenses	45,784	46,476
Estimated third-party payor settlements	<u>3,044</u>	<u>1,841</u>
Total current liabilities	110,593	94,874
Long-term debt, excluding current maturities	257,146	267,060
Lease and subscription IT liabilities, excluding current maturities	16,808	17,491
Net pension liability	<u>-</u>	<u>1,250</u>
Total liabilities	<u>384,547</u>	<u>380,675</u>
Deferred inflows of resources	<u>1,728</u>	<u>448</u>
Net position:		
Net investment in capital assets	136,207	90,218
Restricted - expendable:		
Restricted by trustee for debt service	2,041	25
Restricted by donor for specific activities	3,091	-
Unrestricted	<u>250,408</u>	<u>263,212</u>
Net position	<u>391,747</u>	<u>353,455</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 778,022</u>	 <u>\$ 734,578</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
for the years ended September 30, 2025 and 2024

	(Dollars In Thousands)	
	<u>2025</u>	Restated <u>2024</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$56,291 in 2025 and \$47,777 in 2024)	\$ 578,722	\$ 539,542
Other revenue	<u>20,080</u>	<u>21,440</u>
Total operating revenues	<u>598,802</u>	<u>560,982</u>
Operating expenses:		
Salaries and benefits	293,432	268,737
Supplies	132,238	121,099
Services	51,047	50,357
Depreciation and amortization	32,190	27,743
Medical and professional fees	58,247	51,207
Other expenses	<u>21,255</u>	<u>23,599</u>
Total operating expenses	<u>588,409</u>	<u>542,742</u>
Operating income	<u>10,393</u>	<u>18,240</u>
Nonoperating revenue (expenses):		
Investment income	26,637	49,377
Interest expense	(10,812)	(11,298)
Loss on disposal of capital assets and other	(3,499)	-
Noncapital grants and contributions	<u>7,147</u>	<u>1,419</u>
Total nonoperating revenues	<u>19,473</u>	<u>39,498</u>
Excess revenues before capital contributions	29,866	57,738
Capital grants and contributions	<u>8,426</u>	<u>2,970</u>
Increase in net position	<u>38,292</u>	<u>60,708</u>
Net position, beginning of year, originally reported	354,391	293,620
Implementation of GASB Statement No. 101	<u>(936)</u>	<u>(873)</u>
Net position, beginning of year, restated	<u>353,455</u>	<u>292,747</u>
Net position, end of year	<u>\$ 391,747</u>	<u>\$ 353,455</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS  
for the years ended September 30, 2025 and 2024

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	Restated <u>2024</u>
Cash flows from operating activities:		
Cash received from patients and payors	\$ 591,798	\$ 547,599
Cash payments to vendors and other suppliers	(282,089)	(230,644)
Cash payments to employees	<u>(290,352)</u>	<u>(266,418)</u>
Net cash provided by operating activities	<u>19,357</u>	<u>50,537</u>
Cash flows from noncapital financing activities:		
Noncapital grants and contributions	<u>5,082</u>	<u>1,419</u>
Net cash provided by noncapital financing activities	<u>5,082</u>	<u>1,419</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(6,874)	(5,788)
Interest paid on long-term debt	(10,434)	(4,605)
Principal paid on lease and subscription IT liabilities	(8,570)	(8,347)
Interest paid on lease and subscription IT liabilities	(1,030)	(1,182)
Proceeds from issuance of long-term debt	-	140,024
Purchase of capital assets	(77,984)	(59,128)
Capital contributions	<u>8,426</u>	<u>2,970</u>
Net cash provided (used) by capital and related financing activities	<u>(96,466)</u>	<u>63,944</u>
Cash flows from investing activities:		
Purchase of investments	(252,303)	(91,091)
Proceeds from sale of investments	177,660	92,206
Income on investments	<u>11,061</u>	<u>9,257</u>
Net cash provided (used) by investing activities	<u>(63,582)</u>	<u>10,372</u>
Net change in cash and cash equivalents	(135,609)	126,272
Cash and cash equivalents, beginning of year	<u>155,140</u>	<u>28,868</u>
Cash and cash equivalents, end of year	<u>\$ 19,531</u>	<u>\$ 155,140</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued  
for the years ended September 30, 2025 and 2024

	(Dollars In Thousands)	
	<u>2025</u>	Restated <u>2024</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 18,433	\$ 13,518
Restricted cash and cash equivalents	<u>1,098</u>	<u>141,622</u>
 Total cash and cash equivalents	 <u>\$ 19,531</u>	 <u>\$ 155,140</u>
Reconciliation of operating income to net cash flows provided by operating activities:		
Operating income	\$ 10,393	\$ 18,240
Depreciation and amortization	32,190	27,743
Changes in:		
Patient accounts receivable	(7,062)	(12,794)
Supplies	(2,507)	(702)
Other assets	(4,911)	1,042
Other receivables	(6,084)	749
Accounts payable	(2,343)	10,542
Accrued expenses	(1,085)	5,944
Estimated third-party payor settlements	58	(589)
Pension activity	<u>708</u>	<u>362</u>
 Net cash provided by operating activities	 <u>\$ 19,357</u>	 <u>\$ 50,537</u>

Supplemental disclosures of cash flow information:

- The Authority held investments at September 30, 2025 and 2024, with a fair value of \$344.0 million and \$253.8 million, respectively. During 2025 and 2024, the net change in the fair value of these investments was a decrease of \$1.1 million and an increase \$31.9 million, respectively.
- Purchases of capital assets in accounts payable as of September 30, 2025 and 2024, were \$14.3 million and \$2.0 million, respectively.
- The Authority entered into lease and subscription IT obligations in 2025 and 2024, in an amount of \$9.7 million and \$5.8 million, respectively.
- In FY 2024, the Authority issued \$131.3 million in bonds to finance capital projects and to pay costs related to the issuance. See Note 8 for additional information.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF FIDUCIARY NET POSITION - PENSION TRUST FUND

September 30, 2025 and 2024

(fiduciary fund fiscal years ended December 31, 2024 and 2023)

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	(Dollars In Thousands)	
	<u>2025</u>	<u>2024</u>
Assets:		
Investments, at fair value	<u>\$ 76,199</u>	<u>\$ 73,694</u>
Net position restricted for pensions:		
Total net position	<u>\$ 76,199</u>	<u>\$ 73,694</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND  
for the years ended September 30, 2025 and 2024  
(fiduciary fund fiscal years ended December 31, 2024 and 2023)

	(Dollars In Thousands)	
	<u>2025</u>	<u>2024</u>
Additions:		
Additions to net position attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 2,004	\$ 8,181
Interest and dividends	<u>7,418</u>	<u>3,625</u>
Total investment income	9,422	11,806
Employer contributions	<u>-</u>	<u>-</u>
Total additions	<u>9,422</u>	<u>11,806</u>
Deductions:		
Deductions from net position attributed to:		
Participant distributions	6,858	7,356
Administrative expenses	<u>59</u>	<u>64</u>
Total deductions	<u>6,917</u>	<u>7,420</u>
Net change	2,505	4,386
Net position restricted for pensions:		
Beginning of year	<u>73,694</u>	<u>69,308</u>
End of year	<u>\$ 76,199</u>	<u>\$ 73,694</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

September 30, 2025 and 2024

1. Summary of Significant Accounting Policies

Organization

The Hospital Authority of Valdosta and Lowndes County, Georgia (Authority) owns and operates (1) South Georgia Medical Center, d/b/a SGMC Health Main (SGMC), a 330 licensed-bed acute care general hospital facility located in the City of Valdosta, Lowndes County, Georgia, including SGMC Health Smith Northview (Smith), a healthcare facility located in the City of Valdosta, Lowndes County, Georgia, that operates under the same tax identification and provider number as SGMC Health and is considered to be an expansion of SGMC Health; (2) SGMC Health Berrien (Berrien), a 51 licensed-bed acute care general hospital facility and a 12 licensed geri-psychiatric bed unit located in the City of Nashville, Berrien County, Georgia; and (3) SGMC Health Lanier (Lanier), a 25 licensed-bed critical access hospital facility providing acute and sub-acute care and a 62-bed skilled nursing facility, both located in the City of Lakeland, Lanier County, Georgia, and other services and facilities.

The SGMC Physician Network, Inc. (SPN) was created on January 25, 2019, and became operational on November 1, 2020. SPN, a blended component unit of the Authority, is a Georgia not-for-profit corporation organized to support the functions and powers of the Authority and to operate a physician network. The Authority elects the SPN Board of Directors and controls the operations of the SPN.

Effective November 1, 2023, the Authority transferred substantially all its assets, liabilities, and operations to South Georgia Medical Center, Inc. (SGMC, Inc.), a 501(c)(3) nonprofit organization, through a lease and transfer agreement. The Authority retained emergency medical services (EMS) and responsibility for the South Georgia Medical Center Retirement Plan, but simultaneously entered into a management agreement with SGMC, Inc. to manage EMS operations. The board members of SGMC, Inc. (d/b/a SGMC Health) are the same board members of the Authority. For this reason, SGMC Health is a blended component unit of the Authority and is reflected as such in the accompanying financial statements.

SGMC Affiliated Services, LLC was created on November 1, 2024, and became operational on January 1, 2025. SGMC Affiliated Services, LLC, a blended component unit of SGMC, Inc., is a Georgia limited liability company organized to support the functions and powers of the Authority and to operate the various SGMC Health Urgent Cares. SGMC, Inc. is the sole member of SGMC Affiliated Services, LLC and controls the operations of SGMC Affiliated Services, LLC.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on an 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).

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Fiduciary Fund

The Pension Trust Fund is excluded from the Authority's financial statements as these assets are held in a trust capacity for the benefit of employees of the Authority who participate in the South Georgia Medical Center Retirement Plan (Note 12) and cannot be used to support the Authority's programs. These financial statements comprise the fiduciary fund financial statements on pages 14-15.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Short-Term Investments

Short-term investments include assets internally designated for professional liability claims and for bond payments that are anticipated to satisfy related obligations included in current liabilities.

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 account is charged against the allowance.

Supplies

Supplies are valued at the lower of cost or market value, using the first-in, first-out (FIFO) method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets restricted for capital purchases under debt agreements and assets internally designated for capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Investments in Debt and Equity Securities

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 investment income when earned.

Capital Assets

The Authority's capital asset acquisitions over \$1,000 (\$5,000 for Lanier) are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Leased assets are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the underlying asset. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or the estimated useful life of the underlying IT asset. Such amortization is included in depreciation and amortization in the financial statements.

Land improvements	10 to 20 years
Buildings and improvements	10 to 40 years
Equipment	3 to 15 years
Right-to-use lease assets	1 to 9 years
Right-to-use subscription IT assets	1 to 11 years

Impairment of Capital 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. Capital asset impairment is considered whenever indicators of impairment are present, such as the decline in service utility of a capital asset that is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

The Authority did not record any impairment losses for the years ended September 30, 2025 and 2024.

Leases

The Authority is a lessee for noncancellable leased property and equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Leases, Continued

The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the underlying lease asset.

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

- The Authority uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

Lease assets are reported with capital assets and lease liabilities are reported with current and noncurrent liabilities on the balance sheets.

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 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.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Subscription-Based Information Technology Arrangements, Continued

- 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 noncancellable 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.

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.

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 Costs

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

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent the consumption or acquisition, respectively, of the Authority's net assets applicable to a future reporting period, and consist of the following as of September 30, 2025 and 2024. See Notes 8, 10, and 12 for additional information.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Deferred Outflows and Inflows of Resources, Continued

	(Dollars In Thousands)	
	<u>2025</u>	<u>2024</u>
Deferred outflows of resources:		
Goodwill	\$ 711	\$ 876
Loss on bond defeasance	1,448	2,895
Pension related	<u>418</u>	<u>3,020</u>
Total deferred outflows of resources	<u>\$ 2,577</u>	<u>\$ 6,791</u>
Deferred inflows of resources:		
Gain on bond defeasance	\$ 329	\$ 370
Pension related	<u>1,399</u>	<u>78</u>
Total deferred inflows of resources	<u>\$ 1,728</u>	<u>\$ 448</u>

Net Pension Liability (Asset)

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension items and pension expense, information about the fiduciary net position of the defined benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

The Authority's employees earn paid time off (PTO) at varying rates depending on years of service. Employees may accumulate PTO up to a specified maximum. Employees who leave in good standing will be eligible for payment of PTO upon their resignation.

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. Estimated compensated absences are reported with accrued expenses on the Balance Sheet.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Net Position

Net position of the Authority is classified into three components - *net investment in capital assets, restricted, and unrestricted*. These classifications are defined as follows:

- *Net investment in capital assets* - This component of net position 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* - This component of net position consists of noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority.
- *Unrestricted* - This component of net position consists of the remaining net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of *net investment in capital assets or restricted*.

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.

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. Non-exchange revenues, including investment income and grants 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.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

1. Summary of Significant Accounting Policies, Continued

Grants and Contributions

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 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 Notes 18 for additional information regarding grants and contributions.

Restricted Resources

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

Income Taxes

The Authority is a public corporation and is also exempt from taxation under Section 501(a) of the Internal Revenue Code (IRC). Therefore, no provision for income taxes is made in the financial statements. SGMC, Inc. is a not-for-profit corporation that has been recognized as tax exempt pursuant to Section 501(c)(3) of the IRC. SPN has incurred operating losses for tax purposes and has not recorded a current or deferred tax provision due to significant operating loss (NOL) carryforwards, which would be utilized to offset any potential tax liabilities generated from future taxable income. At September 30, 2025, a significant NOL carryforward exists and is available for the offset of future taxable income. No asset has been recognized related to this NOL carryforward due to expected continued operating losses.

Risk Management

The Authority is exposed to various risks of loss from torts. The Authority purchases commercial insurance with a self-retention amount to protect itself against such risks. The provision for estimated professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported. See Note 15 for a summary of the professional and general liability program. The Authority is self-insured for employee health and accident benefits, and purchases stop-loss coverage for large claims. The expenses for employee health claims include the costs of actual claims incurred and an estimate of the claims incurred, but not reported. See Note 14 for a summary of the employee health plan. The Authority has purchased commercial insurance for claims arising from theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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) in active markets that are accessible at the measurement date for identical assets and liabilities. 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 when there is little or no market data available, thereby requiring an entity to develop its own assumptions. 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 October 1, 2024, and retroactively implemented the statement effective October 1, 2023. The adoption of GASB 101 resulted in an increase in accrued expenses for salary-related payments of approximately \$936,000 and \$873,000 at September 30, 2024 and 2023, respectively. The adoption of GASB 101 also resulted in a decrease in beginning net position of \$873,000 at September 30, 2024.

Accounting Pronouncement Not Yet Adopted

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. GASB 103 is effective for fiscal years beginning after June 15, 2025. The Authority is currently evaluating the impact GASB 103 will have on its financial statements.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

2. Charity Care and Discount for Uninsured Patients

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended September 30, 2025 and 2024.

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	<u>2024</u>
Charges foregone, based on established rates	<u>\$ 140,305</u>	<u>\$ 91,218</u>
Estimated costs and expenses incurred to provide charity care	<u>\$ 39,418</u>	<u>\$ 26,076</u>
Equivalent percentage of charity care patients to all patients served	<u>6.7%</u>	<u>4.8%</u>

The Authority provides a discount for uninsured patients. For fiscal years ended September 30, 2025 and 2024, the charges foregone and the estimated costs of services related to this discount were as follows:

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	<u>2024</u>
Charges foregone, based on established rates	<u>\$ 16,424</u>	<u>\$ 18,767</u>
Estimated costs and expenses incurred to provide discounts for uninsured patients	<u>\$ 4,614</u>	<u>\$ 5,364</u>
Equivalent percentage of discounts to uninsured patients to all patients served	<u>0.8%</u>	<u>1.0%</u>

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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3. 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. 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 48% and 9%, respectively, of the Authority's net patient revenue for the year ended 2025, and 38% and 11%, respectively, of the Authority's net patient revenue for the year ended 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. However, 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 the 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 programs. A summary of the payment arrangements with major third-party payors follows.

- Medicare

For SGMC and Berrien, inpatient acute care, outpatient, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per diem/discharge as applicable. 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 per diems.

Lanier was granted critical access designation by the Medicare program in 2002. The critical access designation allows Lanier to have up to twenty-five beds interchangeable between acute care inpatient services and swing bed services and places certain restrictions on daily acute care inpatient census and an annual average length of stay of acute care inpatients. As a critical access hospital, payments for inpatient and outpatient services are based on the reasonable costs of providing such services.

Nursing Home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system known as the Patient Driven Payment Model (PDPM).

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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3. Net Patient Service Revenue, Continued

• Medicare, Continued

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. Medicare cost reports for certain facilities remain open back to September 30, 2020.

• Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to the 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 September 30, 2022.

The Authority 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 diem rates.

Nursing Home services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per day. This rate is determined principally by the cost per day reflected in cost reports submitted to and audited by the Medicaid fiscal intermediary adjusted for certain incentives and inflation factors.

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. 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 resulted in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$5.4 million and \$5.6 million relating to the Act is included in services in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2025 and 2024, respectively.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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3. Net Patient Service Revenue, Continued

• Medicaid, Continued

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 amount of ICTF payments recognized in net patient service revenue was approximately \$7.4 million and \$12.3 million for the years ended September 30, 2025 and 2024, respectively.

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for enhanced payments to Medicaid providers under the Upper Payment Limit (UPL) methodology. Subsequent to the implementation of the UPL methodology, federal budget concerns have led to reconsideration of the BIPA legislation with possible elimination or reduction of enhanced Medicaid payments. The financial statements include enhanced payments for 2025 and 2024, of approximately \$12.8 million and \$4.5 million, respectively.

During 2022, Medicaid implemented the Medicaid CMOs Direct 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 approximately \$4.8 million and \$4.8 million during 2023 and 2022, respectively.

• Other Arrangements

The Authority has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Authority under these agreements includes discounts from established charges and prospectively determined rates per discharge.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

3. Net Patient Service Revenue, Continued

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

	(Dollars In Thousands)	
	<u>2025</u>	<u>2024</u>
Gross patient charges	\$ 2,094,391	\$ 1,898,602
Uncompensated services:		
Medicare	691,240	679,108
Medicaid	177,687	176,016
Tricare	56,508	51,275
Indigent and charity care	140,305	91,218
Other third-party payors	418,652	335,292
Provision for bad debts	56,291	47,777
Indigent Care Trust Fund	(7,388)	(12,346)
Upper Payment Limit	(12,831)	(4,486)
Hospital Directed Payment Program	<u>(4,795)</u>	<u>(4,794)</u>
Total uncompensated care	<u>1,515,669</u>	<u>1,359,060</u>
Net patient service revenue	<u>\$ 578,722</u>	<u>\$ 539,542</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

4. Cash and Investments

As discussed in Note 1, the Authority's investments are generally carried at fair value. Cash and investments as of September 30, 2025 and 2024, are classified in the accompanying financial statements as follows:

	(Dollars In Thousands)	
	<u>2025</u>	<u>2024</u>
Balance sheets:		
Cash and cash equivalents	\$ 18,433	\$ 13,518
Short-term investments	12,394	12,490
Noncurrent cash and investments:		
Internally designated for capital improvements	228,824	251,743
Restricted by trustee for capital projects	<u>103,922</u>	<u>131,212</u>
 Total cash and investments	 <u>\$ 363,573</u>	 <u>\$ 408,963</u>
 Cash and equivalents consist of the following:		
Cash on hand	\$ 16	\$ 17
Deposits with financial institutions	19,403	13,909
Cash equivalents	<u>112</u>	<u>141,214</u>
 Cash and cash equivalents	 <u>19,531</u>	 <u>155,140</u>
 Investments consist of the following:		
Investments in equity securities	134,088	150,564
Investments in debt securities	62,690	35,110
Investments in mutual funds	34,394	36,386
Investments in money market funds	111,727	29,722
Investments in real estate investment trusts	<u>1,143</u>	<u>2,041</u>
 Investments	 <u>344,042</u>	 <u>253,823</u>
 Total cash and investments	 <u>\$ 363,573</u>	 <u>\$ 408,963</u>

Disclosures Relating to Interest Rate Risk

The Authority manages its exposure to declines in fair values from rising interest rates by investing in debt securities with short to intermediate maturities. The Authority's investment policy requires that the duration of fixed income and debt securities be no longer than 125% of the Barclays Government/Credit Intermediate Index. The weighted average maturity presented below is calculated based on the maturity date of the security. For many of the fixed income and debt securities, the expected life is shorter than the maturity date as presented below.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

4. Cash and Investments, Continued

Disclosures Relating to Interest Rate Risk, Continued

As of September 30, 2025 and 2024, the Authority had the following investments in debt securities and weighted average maturities:

	2025		2024	
	(Dollars in thousands) <u>Amount</u>	Weighted Average <u>(In Years)</u>	(Dollars in thousands) <u>Amount</u>	Weighted Average <u>(In Years)</u>
Debt securities:				
U.S. government obligations	\$ 41,648	0.8	\$ 14,885	1.2
Mortgage-backed securities	1,349	0.2	1,700	0.3
Collateralized mortgage obligations	6,452	0.7	6,468	1.1
Corporate bonds	13,241	0.7	12,057	0.8
Total debt securities	\$ 62,690	2.4	\$ 35,110	3.4
Mutual funds:				
Fixed income	\$ 34,394	2.9	\$ 36,386	4.4

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Authority manages its exposure to credit risk by requiring in its investment policy, that the average quality rating of bonds be investment grade A or better as judged by a nationally recognized rating agency. In addition, the Authority's policy requires that no more than 10% of the fixed income securities be below investment grade Baa.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

4. Cash and Investments, Continued

Disclosures Relating to Credit Risk, Continued

As of September 30, 2025 and 2024, the Authority's investments in debt securities and money market funds had the following ratings:

	(Dollars In Thousands) Amount	Rating as of September 30, 2025					
		Aaa	Aa	A	Baa	Ba	B
Debt securities:							
U.S. government obligations	\$ 41,648	\$ 12,244	\$ 29,404	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	1,349	139	1,210	-	-	-	-
Collateralized mortgage obligations	6,452	4,444	525	1,102	300	-	81
Corporate bonds	13,241	206	2,755	2,963	6,304	896	117
Total debt securities	<u>\$ 62,690</u>	<u>\$ 17,033</u>	<u>\$ 33,894</u>	<u>\$ 4,065</u>	<u>\$ 6,604</u>	<u>\$ 896</u>	<u>\$ 198</u>
Money market funds	<u>\$ 111,727</u>	<u>\$ 111,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	(Dollars In Thousands) Amount	Rating as of September 30, 2024					
		Aaa	Aa	A	Baa	Ba	B
Debt securities:							
U.S. government obligations	\$ 14,885	\$ 14,885	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	1,700	139	1,561	-	-	-	-
Collateralized mortgage obligations	6,468	4,902	642	757	167	-	-
Corporate bonds	12,057	265	559	4,688	5,643	550	352
Total debt securities	<u>\$ 35,110</u>	<u>\$ 20,191</u>	<u>\$ 2,762</u>	<u>\$ 5,445</u>	<u>\$ 5,810</u>	<u>\$ 550</u>	<u>\$ 352</u>
Money market funds	<u>\$ 29,722</u>	<u>\$ 29,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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4. Cash and Investments, Continued

Disclosures Relating to Concentration of Credit Risk

The Authority's investment policy prohibits investments in any one issuer (other than U.S. Treasury securities, mutual funds, and money market funds) that are in excess of 10% of the Authority's total investments. Accordingly, the Authority did not own investments from any one issuer in excess of 10% as of September 30, 2025 and 2024.

Disclosures Relating to Custodial Credit Risk

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. State law requires the collateralization of deposits in excess of insurance. As of September 30, 2025, the Authority's deposits were entirely insured or held by financial institutions that participate in the Georgia Secure Deposit Program (SDP). The SDP is a multibank contingent liability pledging pool to protect public deposits. The program is administered by Georgia Banker's Association Services, Inc. Under the program, a combination of the liquidation of pledged collateral and a guarantee from all other banks participating in the contingent liability pool will cover any loss exceeding FDIC insurance limits.

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. At September 30, 2025 and 2024, the Authority owned \$344.0 million and \$253.8 million, respectively, in securities registered through the brokerage firm's trust department. Securities are held in the Authority's name.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

5. Fair Value Measurements

The Authority categorizes fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based upon the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The fair value of assets measured on a recurring basis at September 30, 2025 and 2024, are as follows:

<u>September 30, 2025</u>	(Dollars in Thousands)			
	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 116,444	\$ 116,444	\$ -	\$ -
Foreign stock	<u>17,644</u>	<u>17,644</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>134,088</u>	<u>134,088</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	41,648	-	41,648	-
Mortgage-backed securities	1,349	-	1,349	-
Collateralized mortgage obligations	6,452	-	6,452	-
Corporate bonds	<u>13,241</u>	<u>-</u>	<u>13,241</u>	<u>-</u>
Total debt securities	<u>62,690</u>	<u>-</u>	<u>62,690</u>	<u>-</u>
Mutual funds - fixed income	<u>34,394</u>	<u>34,394</u>	<u>-</u>	<u>-</u>
Money market funds	<u>111,727</u>	<u>111,727</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>1,143</u>	<u>1,143</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 344,042</u>	<u>\$ 281,352</u>	<u>\$ 62,690</u>	<u>\$ -</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

5. Fair Value Measurements, Continued

<u>September 30, 2024</u>	(Dollars in Thousands)			
	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 130,511	\$ 130,511	\$ -	\$ -
Foreign stock	<u>20,053</u>	<u>20,053</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>150,564</u>	<u>150,564</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	14,885	-	14,885	-
Mortgage-backed securities	1,700	-	1,700	-
Collateralized mortgage obligations	6,468	-	6,468	-
Corporate bonds	<u>12,057</u>	<u>-</u>	<u>12,057</u>	<u>-</u>
Total debt securities	<u>35,110</u>	<u>-</u>	<u>35,110</u>	<u>-</u>
Mutual funds - fixed income	<u>36,386</u>	<u>36,386</u>	<u>-</u>	<u>-</u>
Money market funds	<u>29,722</u>	<u>29,722</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>2,041</u>	<u>2,041</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 253,823</u>	<u>\$ 218,713</u>	<u>\$ 35,110</u>	<u>\$ -</u>

Equity securities, mutual funds, money market funds, and real estate investment trusts valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Debt securities valued using Level 2 inputs are based on a confluence of model drive analysis, matrix pricing, as well as actual trade and market color.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

6. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at September 30, 2025 and 2024, consisted of these amounts:

	<u>2025</u>	Restated <u>2024</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 118,847	\$ 74,618
Receivable from Medicare	24,324	19,218
Receivable from Medicaid	<u>4,319</u>	<u>5,349</u>
Total patient accounts receivable	147,490	99,185
Less allowance for uncollectible amounts	<u>84,700</u>	<u>43,457</u>
Patient accounts receivable, net	<u>\$ 62,790</u>	<u>\$ 55,728</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 23,730	\$ 21,358
Payable to suppliers	46,709	34,745
Other	<u>22,054</u>	<u>25,118</u>
Total accounts payable and accrued expenses	<u>\$ 92,493</u>	<u>\$ 81,221</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

7. Capital Assets

Capital asset changes for the years ended September 30, 2025 and 2024, were as follows:

	(Dollars in Thousands)			
	<u>2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u>
Land	\$ 11,623	\$ 8,996	\$ -	\$ 20,619
Market access rights and tradename	9,385	-	-	9,385
Construction-in-progress	<u>34,672</u>	<u>91,451</u>	<u>(76,465)</u>	<u>49,658</u>
Capital assets not being depreciated	<u>55,680</u>	<u>100,447</u>	<u>(76,465)</u>	<u>79,662</u>
Land improvements	8,598	346	-	8,944
Buildings and improvements	297,606	29,341	(66)	326,881
Equipment	228,364	38,062	(5,718)	260,708
Other depreciable assets and intangibles	<u>5,262</u>	<u>-</u>	<u>(569)</u>	<u>4,693</u>
Depreciable capital assets	<u>539,830</u>	<u>67,749</u>	<u>(6,353)</u>	<u>601,226</u>
Less accumulated depreciation and amortization for:				
Land improvements	7,708	153	-	7,861
Buildings and improvements	190,449	8,650	(3)	199,096
Equipment	189,154	12,771	(5,656)	196,269
Other depreciable assets and intangibles	<u>2,924</u>	<u>536</u>	<u>-</u>	<u>3,460</u>
Total accumulated depreciation and amortization	<u>390,235</u>	<u>22,110</u>	<u>(5,659)</u>	<u>406,686</u>
Capital assets being depreciated, net	<u>149,595</u>	<u>45,639</u>	<u>(694)</u>	<u>194,540</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

7. Capital Assets, Continued

	(Dollars in Thousands)			
	<u>2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u>
Leased office space	\$ -	\$ 112	\$ -	\$ 112
Leased property	412	172	(113)	471
Leased equipment	<u>3,318</u>	<u>240</u>	<u>(752)</u>	<u>2,806</u>
Lease assets	<u>3,730</u>	<u>524</u>	<u>(865)</u>	<u>3,389</u>
Less accumulated amortization for:				
Leased office space	-	8	-	8
Leased property	349	217	(113)	453
Leased equipment	<u>1,607</u>	<u>1,115</u>	<u>(752)</u>	<u>1,970</u>
Total accumulated amortization	<u>1,956</u>	<u>1,340</u>	<u>(865)</u>	<u>2,431</u>
Intangible right-to-use lease assets, net	<u>1,774</u>	<u>(816)</u>	<u>-</u>	<u>958</u>
Subscription IT assets	<u>41,025</u>	<u>10,061</u>	<u>(7,161)</u>	<u>43,925</u>
Less accumulated amortization for subscription IT assets	<u>17,571</u>	<u>8,757</u>	<u>(7,161)</u>	<u>19,167</u>
Intangible right-to-use subscription IT assets, net	<u>23,454</u>	<u>1,304</u>	<u>-</u>	<u>24,758</u>
Total capital assets, net	<u>\$ 230,503</u>	<u>\$ 146,574</u>	<u>\$ (77,159)</u>	<u>\$ 299,918</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

7. Capital Assets, Continued

	(Dollars in Thousands)			
	<u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u>
Land	\$ 9,341	\$ 2,282	\$ -	\$ 11,623
Market access rights and tradename	9,385	-	-	9,385
Construction-in-progress	<u>12,509</u>	<u>63,270</u>	<u>(41,107)</u>	<u>34,672</u>
Capital assets not being depreciated	<u>31,235</u>	<u>65,552</u>	<u>(41,107)</u>	<u>55,680</u>
Land improvements	8,517	81	-	8,598
Buildings and improvements	283,291	17,954	(3,639)	297,606
Equipment	213,915	18,482	(4,033)	228,364
Other depreciable assets and intangibles	<u>5,262</u>	<u>-</u>	<u>-</u>	<u>5,262</u>
Depreciable capital assets	<u>510,985</u>	<u>36,517</u>	<u>(7,672)</u>	<u>539,830</u>
Less accumulated depreciation and amortization for:				
Land improvements	7,542	166	-	7,708
Buildings and improvements	182,837	7,917	(305)	190,449
Equipment	182,633	9,824	(3,303)	189,154
Other depreciable assets and intangibles	<u>2,384</u>	<u>540</u>	<u>-</u>	<u>2,924</u>
Total accumulated depreciation and amortization	<u>375,396</u>	<u>18,447</u>	<u>(3,608)</u>	<u>390,235</u>
Capital assets being depreciated, net	<u>135,589</u>	<u>18,070</u>	<u>(4,064)</u>	<u>149,595</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

7. Capital Assets, Continued

	(Dollars in Thousands)			
	<u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u>
Leased property	\$ 4,183	\$ -	\$ (3,771)	\$ 412
Leased equipment	<u>4,436</u>	<u>-</u>	<u>(1,118)</u>	<u>3,318</u>
Lease assets	<u>8,619</u>	<u>-</u>	<u>(4,889)</u>	<u>3,730</u>
Less accumulated amortization for:				
Leased property	991	363	(1,005)	349
Leased equipment	<u>2,312</u>	<u>1,041</u>	<u>(1,746)</u>	<u>1,607</u>
Total accumulated amortization	<u>3,303</u>	<u>1,404</u>	<u>(2,751)</u>	<u>1,956</u>
Intangible right-to-use lease assets, net	<u>5,316</u>	<u>(1,404)</u>	<u>(2,138)</u>	<u>1,774</u>
Subscription IT assets	<u>33,645</u>	<u>7,694</u>	<u>(314)</u>	<u>41,025</u>
Less accumulated amortization for subscription IT assets	<u>10,297</u>	<u>7,588</u>	<u>(314)</u>	<u>17,571</u>
Intangible right-to-use subscription IT assets, net	<u>23,348</u>	<u>106</u>	<u>-</u>	<u>23,454</u>
Total capital assets, net	<u>\$ 195,488</u>	<u>\$ 82,324</u>	<u>\$ (47,309)</u>	<u>\$ 230,503</u>

Construction and equipment contracts of approximately \$160.0 million exist for the renovation and construction of facilities and purchase of equipment. At September 30, 2025, the remaining commitment on these contracts approximated \$113.8 million.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

8. Long-Term Debt

A summary of long-term debt at September 30, 2025 and 2024, follows:

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	<u>2024</u>
Revenue Certificates - Series 2019A, Payable in annual installments ranging from \$1.79 million on October 1, 2025, to \$3.38 million on October 1, 2038, with interest rates from 4.00% to 5.00% paid semi-annually.	\$ 35,055	\$ 36,760
Revenue Certificates - Series 2019B, Payable in annual installments ranging from \$3.28 million on October 1, 2025, to \$9.09 million on October 1, 2041, with interest rates from 2.60% to 3.75% paid semi-annually.	82,020	85,205
Revenue Certificates - Series 2024, Payable in annual installments ranging from \$2.01 million on October 1, 2025, to \$7.92 million on October 1, 2054, with interest rates from 4.125% to 5.00% paid semi-annually.	131,290	131,290
Other financing obligations, with varying rates of interest, collateralized by equipment.	<u>1,096</u>	<u>2,248</u>
Total long-term debt	249,461	255,503
Less: current installments of long-term debt	<u>7,257</u>	<u>5,841</u>
Long-term debt excluding current installments	242,204	249,662
Unamortized net premium and discount	<u>14,942</u>	<u>17,398</u>
Long-term debt excluding current installments and unamortized net premium and discount	<u>\$ 257,146</u>	<u>\$ 267,060</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

8. Long-Term Debt, Continued

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

(Dollars In Thousands)					
	<u>2024</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue certificates	\$ 253,255	\$ -	\$ (4,890)	\$ 248,365	\$ 7,070
Other financing obligations	<u>2,248</u>	<u>-</u>	<u>(1,152)</u>	<u>1,096</u>	<u>187</u>
Total long-term debt	255,503	-	(6,042)	249,461	7,257
Unamortized net premium and discount	<u>17,398</u>	<u>-</u>	<u>(2,456)</u>	<u>14,942</u>	<u>-</u>
Long-term debt	<u>\$ 272,901</u>	<u>\$ -</u>	<u>\$ (8,498)</u>	<u>\$ 264,403</u>	<u>\$ 7,257</u>

(Dollars In Thousands)					
	<u>2023</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue certificates	\$ 126,685	\$ 131,290	\$ (4,720)	\$ 253,255	\$ 4,890
Other financing obligations	<u>2,560</u>	<u>-</u>	<u>(312)</u>	<u>2,248</u>	<u>951</u>
Total long-term debt	129,245	131,290	(5,032)	255,503	5,841
Unamortized net premium and discount	<u>7,400</u>	<u>10,868</u>	<u>(870)</u>	<u>17,398</u>	<u>-</u>
Long-term debt	<u>\$ 136,645</u>	<u>\$ 142,158</u>	<u>\$ (5,902)</u>	<u>\$ 272,901</u>	<u>\$ 5,841</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

8. Long-Term Debt, Continued

In August 2019, the Authority issued Refunding Revenue Certificates, Series 2019A and Series 2019B, in the amount of \$42.6 million and \$96.9 million, respectively. The Series 2019A Certificates were issued for the purpose of refunding the Series 2007, 2010, and 2010 Refunding Certificates. The Series 2019B Certificates were issued for the purpose of the advance refunding of the Series 2011B Certificates. Proceeds of the Series 2019A and 2019B Certificates were also used for related costs incidental to the financing, including costs of issuance. The purpose of the refunding was to take advantage of lower interest rates, reduce the Authority's overall cash flows related to outstanding debt, and obtain a debt service guarantee from the County. The transaction resulted in an economic gain of approximately \$29.3 million and reduced total debt service payments over the scheduled maturities by approximately \$59.3 million.

The Series 2007, 2010, and 2010 Refunding Certificates were refunded on August 28, 2019. On August 28, 2019, approximately \$151.8 million was deposited into an irrevocable escrow with the Bank of New York Mellon Trust Company, N.A. to purchase U.S. Government Obligations sufficient to pay principal and interest when due on the Series 2011B Certificates until their earliest date of optional redemption, October 1, 2021. As a result, the 2011B Certificates are considered to be defeased and the escrow assets and the liability for the Certificates have been removed from these financial statements. At September 30, 2025 and 2024, \$119.7 million and \$124.9 million of the defeased Certificates remain outstanding, respectively.

The Series 2019A and 2019B Certificates were issued pursuant to a Trust Indenture (2019 Certificate Indenture), dated August 1, 2019, between the Authority and Regions Bank, Atlanta, Georgia (Trustee), as trustee. The Series 2019 Certificates are limited obligations of the Authority secured by the Trust Estate, which includes (i) all amounts on deposit from time-to-time in the funds created under the 2019 Certificate Indenture, (ii) all rights, title, and interest of the Authority in the Series 2019 Master Note (defined below), including all payments thereunder, and (iii) all rights, title and interest of the Authority in the intergovernmental contract, dated August 1, 2019 (Contract) between the Authority and Lowndes County (County), including all payments thereunder.

In April 2024, the Authority issued Revenue Anticipation Certificates in the amount of \$131.3 million. The Series 2024 Certificates were issued for the purpose of financing the acquisition, construction, renovation, equipping, and installation of certain additions, extensions, and improvements of the Authority. Proceeds of the Series 2024 Certificates were also used for related costs incidental to the financing, including costs of issuance.

The Series 2024 Certificates were issued pursuant to a Trust Indenture (2024 Certificate Indenture), dated April 1, 2024, between the Authority and the Trustee. The Series 2024 Certificates are limited obligations of the Authority secured by the Trust Estate, which includes (i) all moneys and securities held by the Trustee, including the payments to be made thereunder, in the funds created under the 2024 Certificate Indenture, (ii) all rights, title and interest of the Authority in the Series 2024 Master Note (defined below), including all payments thereunder, and (iii) all rights, title and interest of the Authority in an intergovernmental contract, dated as of April 1, 2024, between the Authority and the County, including all payments thereunder.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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8. Long-Term Debt, Continued

The Authority has issued a Master Note securing the Series 2019 Certificates (2019 Master Note) and the Series 2024 Certificates (2024 Master Note). The Series 2019 Master Note and Series 2024 Master Note are issued pursuant to a Master Trust Indenture, dated as of August 1, 2019, as supplemented by a Supplemental Master Trust Indenture No. 1, dated as of August 1, 2019, each between the Authority, as the sole member of the Obligated Group, and Regions Bank, Atlanta Georgia, as master Trustee (Master Trustee), as supplemented by a Supplemental Master Trust Indenture No. 2, dated as of November 1, 2023, among the Authority, SGMC, and the Master Trustee, and as supplemented by a Supplemental Master Trust Indenture No. 3, dated as of April 1, 2024, among the Authority, SGMC, and Master Trustee (collectively, the Mater Indenture). As security for the Series 2019 Master Note and Series 2024 Master Note, the Obligated Group has created a first pledge of and lien on the gross revenues in favor of the Master Trustee. The Obligated Group may issue additional obligations from time-to-time under the Master Indenture, which obligations will be secured by a lien on the gross revenues that is on parity with the lien securing the Series 2019 Master Note and Series 2024 Master Note.

Pursuant to the Contract, the County is obligated to make payments, if necessary, in amounts sufficient to enable the Authority to provide for the payment of principal and interest on the Series 2019 and Series 2024 Certificates as the same become due and payable at maturity or by proceedings for mandatory redemption. In order to assure such payments as to the Series 2019 Certificates and Series 2024 Certificates, the County has agreed to levy annually an ad valorem tax, within the seven mill limitation specified in the Georgia Hospital Authorities Law or at such higher rate as may be allowed in the future.

As a result of the Series 2019A refunding the Series 2007, 2010, and 2010 Refunding Certificates, the Authority recognized a gain on defeasance of approximately \$575,000. The gain is included in the deferred inflows of resources on the balance sheet. The gain on bond defeasance is reported net of accumulated amortization expense and is amortized over 168 months, which is consistent with the remaining life of the new debt as it is shorter than the defeased debt. Amortization expense is reported in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

As a result of the Series 2019B advance refunding the Series 2011B Certificates, the Authority recognized a loss on defeasance of approximately \$10.1 million. The loss is included in the deferred outflows of resources on the Balance Sheet. The loss on bond defeasance is reported net of accumulated amortization expense and is amortized over 84 months, which is consistent with the remaining life of the defeased debt as it is shorter than the new debt. Amortization expense is reported in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

Under the terms of the Master Trust Indenture, the Authority is required to satisfy certain measures of financial performance. The Master Trust Indenture contains provisions that, if the Authority falls below such measures for any two consecutive years, then an event of default shall exist. As of September 30, 2025, the Authority is not considered in default in accordance with the provisions delineated in the Master Trust Indenture.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

8. Long-Term Debt, Continued

In 2019, the Authority entered into an agreement under which the Authority's facilities were renovated by a third-party at a cost of approximately \$2.5 million. Instead of repayment, the third-party is forgiving the cost of renovations monthly over the term of the contract. If the contract is terminated prior to the end of the term, the Authority will be required to pay the unforgiven balance. The Authority recognizes the forgiveness of the debt as contribution income, which is reported in other revenue on the Statement of Revenues, Expenses, and Changes in Net Position. The related depreciation expense of the renovated capital assets is recorded in depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position.

The debt service requirements of long-term debt at September 30, 2025, are as follows:

(Dollars In Thousands)				
	Revenue Certificates		Other Financing Obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 7,070	\$ 10,502	\$ 187	\$ -
2027	7,355	10,212	187	-
2028	7,655	9,909	187	-
2029	7,965	9,591	187	-
2030	8,290	9,257	187	-
2031-2035	46,740	40,892	161	-
2036-2040	57,445	29,920	-	-
2041-2045	40,915	18,581	-	-
2046-2050	28,915	12,082	-	-
2051-2055	<u>36,015</u>	<u>4,677</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 248,365</u>	<u>\$ 155,623</u>	<u>\$ 1,096</u>	<u>\$ -</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

9. Leases and Subscription IT Liabilities

The Authority is a lessee for noncancellable lease assets. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

In 2025 and 2024, the Authority entered into lease agreements and other financing obligations under which the Authority leases various property and equipment. These agreements and obligations bear interest at rates ranging from 2.13% to 3.49%. The monthly lease payments end in FY 2030.

Expenses for the leasing activity of the Authority as the lessee for the years ended September 30, 2025 and 2024, are as follows:

	(Dollars In Thousands)	
	<u>2025</u>	<u>2024</u>
Short-term lease expense	\$ 3,435	\$ 2,606
Right-to-use lease asset amortization	1,340	1,404
Lease liability interest expense	<u>41</u>	<u>110</u>
Total lease cost	<u>\$ 4,816</u>	<u>\$ 4,120</u>

The Authority has SBITAs that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by GAAP.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

9. Leases and Subscription IT Liabilities, Continued

Expenses for the SBITA activity of the Authority for the years ended September 30, 2025 and 2024, are as follows:

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	<u>2024</u>
Short-term SBITA expense	\$ 8,334	\$ 7,808
Right-to-use subscription IT asset amortization	8,757	7,588
Subscription IT liability interest expense	<u>975</u>	<u>898</u>
Total subscription IT cost	<u>\$ 18,066</u>	<u>\$ 16,294</u>

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.

A summary of leases and subscription IT liabilities at September 30, 2025 and 2024, follows:

	<u>(Dollars In Thousands)</u>	
	<u>2025</u>	<u>2024</u>
Lease liabilities - Leases for property and equipment, with varying rates of interest	\$ 985	\$ 1,812
Subscription IT liabilities - Various software licenses and remote hosting arrangements, with varying rates of interest	<u>23,622</u>	<u>21,650</u>
Total lease and subscription IT liabilities	24,607	23,462
Less: current installments of lease and subscription IT liabilities	<u>7,799</u>	<u>5,971</u>
Lease and subscription IT liabilities, excluding current installments	<u>\$ 16,808</u>	<u>\$ 17,491</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

9. Leases and Subscription IT Liabilities, Continued

A schedule of changes in the Authority's leases and subscription IT liabilities follows:

(Dollars In Thousands)					
	<u>2024</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Lease liabilities	\$ 1,812	\$ 447	\$ (1,274)	\$ 985	\$ 404
Subscription IT liabilities	<u>21,650</u>	<u>9,268</u>	<u>(7,296)</u>	<u>23,622</u>	<u>7,395</u>
Total lease and subscription IT liabilities	<u>\$ 23,462</u>	<u>\$ 9,715</u>	<u>\$ (8,570)</u>	<u>\$ 24,607</u>	<u>\$ 7,799</u>

(Dollars In Thousands)					
	<u>2023</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Lease liabilities	\$ 5,262	\$ -	\$ (3,450)	\$ 1,812	\$ 947
Subscription IT liabilities	<u>22,187</u>	<u>5,788</u>	<u>(6,325)</u>	<u>21,650</u>	<u>5,024</u>
Total lease and subscription IT liabilities	<u>\$ 27,449</u>	<u>\$ 5,788</u>	<u>\$ (9,775)</u>	<u>\$ 23,462</u>	<u>\$ 5,971</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

9. Leases and Subscription IT Liabilities, Continued

The debt service requirements of leases and subscription IT liabilities at September 30, 2025, are as follows:

	<u>Lease Liabilities</u>		<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 404	\$ 25	\$ 7,395	\$ 831
2027	285	14	5,271	524
2028	178	7	2,990	341
2029	98	2	2,077	237
2030	20	1	2,017	162
2031-2035	<u>-</u>	<u>-</u>	<u>3,872</u>	<u>122</u>
Total	<u>\$ 985</u>	<u>\$ 49</u>	<u>\$ 23,622</u>	<u>\$ 2,217</u>

10. Goodwill

Goodwill consists of the following:

	<u>(Dollars In Thousands)</u>				
	<u>Balance 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance 2025</u>
Purchase of Berrien County Hospital	\$ 626	\$ -	\$ -	\$ (143)	\$ 483
Purchase of Physician Practices	<u>250</u>	<u>16</u>	<u>-</u>	<u>(38)</u>	<u>228</u>
Total goodwill	<u>\$ 876</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ (181)</u>	<u>\$ 711</u>
	<u>Balance 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Amortization</u>	<u>Balance 2024</u>
Purchase of Berrien County Hospital	\$ 769	\$ -	\$ -	\$ (143)	\$ 626
Purchase of Physician Practices	<u>288</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>250</u>
Total goodwill	<u>\$ 1,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (181)</u>	<u>\$ 876</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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10. Goodwill, Continued

Pursuant to the implementation of GASB No. 69, the Authority reclassified goodwill from other assets to deferred outflows of resources and established an attribution or amortization period for each component of goodwill. Because a substantial portion of the acquisition consisted of capital assets, the Authority determined the amortization period based upon an estimate of the remaining useful lives of the capital assets as of the date of implementation of GASB No. 69. The amount amortized in 2025 and 2024 is reported in depreciation and amortization on the Statement of Revenues, Expenses, and Changes in Net Position.

11. Related Party Transactions

Because of the existence of common trustees and other factors, the Authority, South Georgia Medical Center Foundation, Inc. (Foundation), and South Georgia Health Alliance, Inc. (Alliance) are related parties.

The Foundation is authorized by SGMC to solicit contributions on its behalf. In its general appeal for contributions to support the community's providers of healthcare services, the Foundation also solicits contributions for certain other related healthcare institutions. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of its distributions. Effective July 1, 2022, the Foundation changed fiscal year ends from June 30 to December 31. During the years ended September 30, 2025 and 2024, SGMC provided workspace, utilities, and certain personnel free of charge to the Foundation.

The Alliance operates the not-for-profit entities of the Hospice of South Georgia, an organization providing supportive care for terminally ill patients and their families, Langdale Place, a residential care facility, and The Tree House, a consignment store. All funds raised in excess of operating needs are designated by the Alliance Board for healthcare purposes.

In addition to the above, included in other receivables on the balance sheet are related party receivables in the amounts of \$3.3 million and \$4.3 million for fiscal years 2025 and 2024, respectively. These amounts due are related to purchased goods and services on behalf of the related parties.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

11. Related Party Transactions, Continued

Summarized financial information from the financial statements of the related parties follows:

**South Georgia Medical Center Foundation, Inc. (Income Tax Basis of Accounting)**

	(Dollars In Thousands)	
	(Audited) <u>December 31, 2024</u>	(Audited) <u>December 31, 2023</u>
Assets, principally cash and investments	\$ <u>6,691</u>	\$ <u>7,509</u>
Liabilities, accounts payable, due to related party, and deferred revenue	\$ <u>1</u>	\$ <u>-</u>
Net assets:		
Without donor restrictions	3,327	2,639
With donor restrictions	<u>3,363</u>	<u>4,870</u>
Total net assets	<u>6,690</u>	<u>7,509</u>
Total liabilities and net assets	\$ <u>6,691</u>	\$ <u>7,509</u>
Support and revenue	\$ <u>5,680</u>	\$ <u>3,678</u>
Expenses:		
Administrative and other expenses	842	701
Charitable disbursements	<u>5,657</u>	<u>956</u>
Total expenses	<u>6,499</u>	<u>1,657</u>
Change in net assets	(819)	2,021
Net assets, beginning	<u>7,509</u>	<u>5,488</u>
Net assets, ending	\$ <u>6,690</u>	\$ <u>7,509</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

11. Related Party Transactions, Continued

**South Georgia Health Alliance, Inc.**

	(Dollars In Thousands)	
	(Unaudited) <u>September 30, 2025</u>	(Audited) <u>September 30, 2024</u>
Current assets	\$ 4,663	\$ 3,884
Property and equipment, net	2,942	2,347
Other assets	<u>194</u>	<u>-</u>
Total assets	<u>\$ 7,799</u>	<u>\$ 6,231</u>
Current liabilities	\$ 532	\$ 354
Due to related parties	3,294	4,297
Long-term liabilities	-	131
Net assets	<u>3,973</u>	<u>1,449</u>
Total liabilities and net assets	<u>\$ 7,799</u>	<u>\$ 6,231</u>
Revenues and gains	\$ 15,398	\$ 13,430
Expenses	<u>(13,184)</u>	<u>(12,078)</u>
Change in net assets	2,214	1,352
Capital contributions	310	-
Net assets, beginning	<u>1,449</u>	<u>97</u>
Net assets, ending	<u>\$ 3,973</u>	<u>\$ 1,449</u>

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans

The Authority has a defined contribution plan under Section 401(k) of the IRC, South Georgia Medical Center Money Purchase Retirement Plan, which allows employees to defer income taxes on a portion of their earnings. The Authority has no liability for investment losses incurred by the Plan. The assets of the Plan are in the individual participant's name and are not subject to claims by creditors of the Authority. In 2004, the Authority created an additional deferred compensation plan structured similarly to the 401(k) plan. This plan, South Georgia Medical Center 457 Plan, was established under IRC Section 457(b). Total participant contributions to the 401(k) and 457(b) plans were approximately \$12.2 million and \$9.5 million in 2025 and 2024, respectively. Total contributions by the Authority on behalf of the participants were approximately \$3.8 million and \$2.9 million in 2025 and 2024, respectively. The Authority makes a matching contribution equal to 50% of a participant's elective deferrals, not to exceed 3% of a participant's compensation. Participants are vested immediately in their contributions plus actual earnings (losses) thereon. Vesting in the Authority's matching contributions occurs in 20% increments over five years of service. Administrative expenses for the above plans are borne by the participants.

Effective January 1, 2024, the Authority created the South Georgia Medical Center 403(b) Retirement Plan, a defined contribution plan established under IRC Section 403(b). This plan allows for non-elective employer contributions to be made on a discretionary basis to eligible employees who are part of the executive leadership team. No contributions were made to this plan during FY 2025 or 2024. Vesting in the Authority's non-elective contributions occurs in 25% increments over five years of service.

The Authority also has a single employer defined benefit pension plan, South Georgia Medical Center Retirement Plan (Plan), covering substantially all of its employees. The Authority's trustees have the authority to establish and amend benefit provisions. For more information on the Plan, contact South Georgia Medical Center's administration.

The Plan provides retirement, death, and disability benefits. Retirement benefits are calculated as 1% of high five-year average monthly compensation per year of service at normal retirement date, plus 0.65% of high five-year average monthly compensation in excess of the integration level for each year of service not to exceed 40 years. For service prior to January 1, 1974, one-third of those years of service are credited for benefit accrual. The integration level for years of service prior to December 31, 2003, is \$500; for years of service after December 31, 2003, the integration level is monthly social security-covered compensation for a person who has attained age 65. The normal retirement date falls on the first of the month coincident with or following the attainment of social security retirement age.

Effective April 15, 2009, the accrued retirement benefit of participants was frozen at the level earned as of that date. No otherwise eligible employee who had not already reached his entry date and entered the Plan on or before April 15, 2009, shall enter and participate in the Plan after such date.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

In the event a participant becomes totally and permanently disabled as determined by the Social Security Administration, they are entitled to receive the benefit provided by the present value of their accrued benefit. The pre-retirement death benefits are the greater of the present value of the vested accrued benefit and \$1,000 for each \$20 of projected monthly retirement benefit. However, the death benefit for a participant employed beyond their normal retirement date is the present value of their accrued benefit.

All contributions are made by the Authority based on the minimum recommended contribution determined by an actuarial valuation each year. The Authority is providing for the cost of this Plan as benefits are accrued based upon actuarial determinations employing the entry-age normal actuarial cost method. Contributions are intended to provide for benefits attributed to service earned through the effective date of the freeze of Plan benefits.

	(Dollars in Thousands)	
	<u>2025</u>	<u>2024</u>
Actuarially determined contribution	\$ -	\$ -
Contributions made in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	N/A	N/A
Contributions as a percentage of payroll	N/A	N/A

The actuarial valuation of the Plan was performed as of January 1, 2025 and 2024, and the measurement date of the net pension liability is as of January 1, 2025 and 2024.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

Participant Data

The following is a summary of Plan participants at January 1, 2025 and 2024.

	January 1, <u>2025</u>	January 1, <u>2024</u>
Active participants	278	294
Inactives with deferred benefits	279	284
Inactives receiving payment	<u>467</u>	<u>472</u>
 Total participants	 <u>1,024</u>	 <u>1,050</u>

Assumptions and Other Inputs

The Authority's net pension liability was measured as of January 1, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025 and 2024.

The following summarizes the significant assumptions used in the valuation:

	<u>2025</u>	<u>2024</u>
• Inflation	2.50%	2.50%
• Salary increase	N/A	N/A
• Expected rate of return	7.50%	7.50%
• Mortality table	Pri-2012	Pri-2012
• Discount rate	7.50%	7.50%

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

The long-term expected rate of return on Plan investments was determined based on the Authority's expectation of best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of rates of return of each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Fixed income	40.00%	3.0% - 5.0%
Equities	55.00%	5.0% - 9.0%
Alternatives	5.00%	6.0% - 12.0%

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the employer will be made in an amount equal to the actuarially recommended contribution based on funding the unfunded liability over a 10-year period. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

Changes in Net Pension Liability (Asset)

The following table presents the changes in the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability (Asset) for the years ended September 30, 2025 and 2024:

	(Dollars in Thousands)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance recognized at September 30, 2024	\$ 74,944	\$ 73,694	\$ 1,250
Changes recognized for the fiscal year:			
Service cost	85	-	85
Interest cost	5,375	-	5,375
Differences between expected and actual experience	729	4,150	(3,421)
Contributions from the employer	-	-	-
Net investment income (loss)	-	5,272	(5,272)
Benefit payments	(6,858)	(6,858)	-
Administrative expense	-	(59)	59
Net changes	(669)	2,505	(3,174)
Balance recognized at September 30, 2025	\$ 74,275	\$ 76,199	\$ (1,924)

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

Changes in Net Pension Liability (Asset), Continued

	(Dollars in Thousands)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance recognized at September 30, 2023	\$ 75,325	\$ 69,308	\$ 6,017
Changes recognized for the fiscal year:			
Service cost	99	-	99
Interest cost	5,386	-	5,386
Differences between expected and actual experience	1,490	-	1,490
Contributions from the employer	-	-	-
Net investment income (loss)	-	11,806	(11,806)
Benefit payments	(7,356)	(7,356)	-
Administrative expense	-	(64)	64
Net changes	<u>(381)</u>	<u>4,386</u>	<u>(4,767)</u>
Balance recognized at September 30, 2024	<u>\$ 74,944</u>	<u>\$ 73,694</u>	<u>\$ 1,250</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability (Asset) for fiscal years ended September 30, 2025 and 2024:

	2025 (Dollars in Thousands)		
	1% Decrease	Current Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net pension liability (asset)	\$ <u>2,918</u>	\$ <u>(1,924)</u>	\$ <u>(6,206)</u>
	2024 (Dollars in Thousands)		
	1% Decrease	Current Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net pension liability (asset)	\$ <u>6,307</u>	\$ <u>1,250</u>	\$ <u>(3,213)</u>

Pension expense recognized during 2025 and 2024 totaled \$0.1 million and \$0.4 million, respectively.

The following table presents components of deferred inflows and deferred outflows of resources for the years ended September 30, 2025 and 2024:

	(Dollars In Thousands)			
	2025		2024	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net difference between projected and actual earnings on Plan investments	\$ -	\$ 1,399	\$ 2,082	\$ -
Differences between expected and actual experience	418	-	938	-
Changes in assumptions	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>
Amounts to be recognized in pension expense	418	1,399	3,020	78
Contributions made subsequent to measurement date	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>418</u>	\$ <u>1,399</u>	\$ <u>3,020</u>	\$ <u>78</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	(Dollars in Thousands)		
	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Net</u>
2026	\$ 82	\$ 418	\$ 500
2027	1,555	-	1,555
2028	(2,207)	-	(2,207)
2029	(829)	-	(829)
2030	-	-	-
Total	<u>\$ (1,399)</u>	<u>\$ 418</u>	<u>\$ (981)</u>

GASB No. 68 requires a schedule of changes in net pension liability and related ratios and a schedule of pension contributions for each of the last ten years to be presented as required supplementary information.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

Investments Included in Fiduciary Net Position

The Plan has the following recurring fair value measurements as of September 30, 2025 and 2024:

September 30, 2025 (December 31, 2024 measurement date)	(Dollars in Thousands) Fair Value Measurements at Reporting Date			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 46,634	\$ 46,634	\$ -	\$ -
Foreign stock	<u>5,983</u>	<u>5,983</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>52,617</u>	<u>52,617</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	6,842	-	6,842	-
Mortgage-backed securities	464	-	464	-
Collateralized mortgage obligations	2,020	-	2,020	-
Corporate bonds	<u>3,288</u>	<u>-</u>	<u>3,288</u>	<u>-</u>
Total debt securities	<u>12,614</u>	<u>-</u>	<u>12,614</u>	<u>-</u>
Mutual funds – fixed income	<u>5,651</u>	<u>5,651</u>	<u>-</u>	<u>-</u>
Money market funds	<u>4,748</u>	<u>4,748</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>569</u>	<u>569</u>	<u>-</u>	<u>-</u>
Total investments	<u>76,199</u>	<u>\$ 63,585</u>	<u>\$ 12,614</u>	<u>\$ -</u>
Plan fiduciary net position	<u>\$ 76,199</u>			

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

12. Retirement Plans, Continued

Investments Included in Fiduciary Net Position, Continued

September 30, 2024 (December 31, 2023 measurement date)	(Dollars in Thousands) Fair Value Measurements at Reporting Date			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Common stock	\$ 43,830	\$ 43,830	\$ -	\$ -
Foreign stock	<u>7,044</u>	<u>7,044</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>50,874</u>	<u>50,874</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. government obligations	5,916	-	5,916	-
Mortgage-backed securities	519	-	519	-
Collateralized mortgage obligations	1,827	-	1,827	-
Corporate bonds	<u>3,908</u>	<u>-</u>	<u>3,908</u>	<u>-</u>
Total debt securities	<u>12,170</u>	<u>-</u>	<u>12,170</u>	<u>-</u>
Mutual funds – fixed income	<u>7,551</u>	<u>7,551</u>	<u>-</u>	<u>-</u>
Money market funds	<u>2,088</u>	<u>2,088</u>	<u>-</u>	<u>-</u>
Real estate investment trusts	<u>1,011</u>	<u>1,011</u>	<u>-</u>	<u>-</u>
Total investments	<u>73,694</u>	<u>\$ 61,524</u>	<u>\$ 12,170</u>	<u>\$ -</u>
Plan fiduciary net position	<u>\$ 73,694</u>			

Equity securities, mutual funds, money market funds, and real estate investment trusts valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Debt securities valued using Level 2 inputs are based on a confluence of model drive analysis, matrix pricing, as well as actual trade and market color.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

13. 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.

Litigation

The Authority is involved in litigation and regulatory investigations arising in the course of business. After consulting 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 15.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and 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 these provisions are and 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.

14. Employee Health Plan

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 \$500,000 for each individual employee. In addition, the Authority has entered into a loss financing agreement with other Georgia hospitals through a program developed by Georgia ADS, LLC. The program is designed to provide for the financing and payment of covered claims between \$150,000 and \$500,000. Payments received from the program must be repaid over a specified period of time with interest. Under this self-insurance program, \$29.4 million and \$23.9 million were paid or accrued and expensed during the years ended September 30, 2025 and 2024, respectively.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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15. Professional Liability Claims

The Authority has purchased commercial insurance to cover professional or general liability claims. The policy is written on a claims-made basis with a self-insured retention amount of \$2.5 million per claim, \$7 million aggregate for fiscal years 2025 and 2024. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The Authority also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. The Authority has designated assets to be used for liabilities resulting from claims for which the Authority may ultimately be responsible. Accrued professional claims are included in the financial statements and in management's opinion provide an adequate reserve for loss contingencies.

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 provision has been made for losses, which may occur from such asserted and unasserted claims that are not covered by liability insurance as of September 30, 2025.

16. 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:* The carrying amount reported in the balance sheet for cash and cash equivalents approximate its fair value due to the short-term nature of these instruments.
- *Short-term investments:* These assets consist primarily of cash and cash equivalents, equity securities, and mutual funds. The carrying amount reported in the balance sheet for short-term investments approximate fair value. See Note 5 for fair value measurement disclosures.
- *Noncurrent cash and investments:* These assets consist primarily of cash, equity securities, mutual funds, money market funds, real estate investment trusts, corporate bonds, mortgage-backed securities, collateralized mortgage obligations, and U.S. government obligations. The carrying amount reported on the balance sheet for noncurrent cash and investments approximates its fair value. See Note 5 for fair value measurement disclosures.
- *Accounts payable, accrued expenses, and estimated third-party payor settlements:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

16. Fair Values of Financial Instruments, Continued

- *Long-term debt:* Fair values of the revenue notes are based on current traded value. The fair value of the Authority's other long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements. Level 2 inputs are used in determining this valuation.

The carrying amounts and fair values of the Authority's long-term debt at September 30, 2025 and 2024, are as follows:

	(Dollars In Thousands)			
	<u>2025</u>		<u>2024</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 264,403	\$ 274,791	\$ 272,901	\$ 279,787

17. Concentration of Credit Risk

The Authority grants credit without collateral to patients substantially all of whom are local residents of Lowndes County or the immediate surrounding counties of Georgia and Florida and are insured under third-party payor agreements. A significant portion of the net receivables are from patients covered by various government programs such as Medicare or Medicaid. The mix of net receivables from patients and third-party payors was as follows:

	<u>2025</u>	<u>2024</u>
Medicare	39%	34%
Medicaid	7%	10%
Blue Cross	16%	13%
Other third-party payors	28%	32%
Patients	<u>10%</u>	<u>11%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2025 and 2024

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18. 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. Berrien and Lanier submitted the necessary documentation and were approved by the State to participate in the rural hospital tax credit program effective for calendar years 2025 and 2024. Contributions received under the program approximated \$2.5 million and \$1.4 million during the Authority's fiscal years 2025 and 2024, respectively. These amounts are reported in nonoperating revenue (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position.

19. Employee Retention Credit

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The CARES Act provided for an employee retention credit (ERC), which is a refundable tax credit against certain employee 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 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 was approved for approximately \$3.5 million, of which approximately \$1.3 million was received in fiscal year 2025. The remaining \$2.2 million has been accrued as of September 30, 2025, and is included in other receivables on the Balance Sheet. The Authority recognized the total approved refund amount in nonoperating revenues (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position at September 30, 2025. The ERC may be subject to IRS examination. While the Authority currently believes it qualified to receive the tax credits, there is a possibility payments could be recouped based on IRS examination results.

REQUIRED SUPPLEMENTARY INFORMATION

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HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS (In Thousands)

September 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability:										
Service cost	\$ 85	\$ 99	\$ 121	\$ 156	\$ 134	\$ 151	\$ 177	\$ 203	\$ 238	\$ 322
Interest cost	5,375	5,386	5,504	5,552	5,610	5,724	5,692	5,704	5,807	5,935
Differences between expected and actual experience	729	1,490	236	657	836	(2)	1,459	977	1,250	(184)
Changes in assumptions	-	-	-	169	(607)	(612)	(130)	(363)	(1,671)	(546)
Benefit payments	<u>(6,858)</u>	<u>(7,356)</u>	<u>(7,457)</u>	<u>(6,833)</u>	<u>(6,718)</u>	<u>(6,926)</u>	<u>(6,565)</u>	<u>(6,762)</u>	<u>(7,137)</u>	<u>(7,174)</u>
Net change in total pension liability	(669)	(381)	(1,596)	(299)	(745)	(1,665)	633	(241)	(1,513)	(1,647)
Total pension liability (beginning)	<u>74,944</u>	<u>75,325</u>	<u>76,921</u>	<u>77,220</u>	<u>77,965</u>	<u>79,630</u>	<u>78,997</u>	<u>79,238</u>	<u>80,751</u>	<u>82,398</u>
Total pension liability (ending)	<u>74,275</u>	<u>74,944</u>	<u>75,325</u>	<u>76,921</u>	<u>77,220</u>	<u>77,965</u>	<u>79,630</u>	<u>78,997</u>	<u>79,238</u>	<u>80,751</u>
Plan fiduciary net position:										
Contributions - employer	-	-	625	875	1,168	1,719	1,849	2,375	3,012	3,055
Net investment income (loss)	9,422	11,806	(12,414)	13,245	9,379	14,335	(3,491)	10,511	5,679	(711)
Benefit payments	(6,858)	(7,356)	(7,457)	(6,833)	(6,718)	(6,926)	(6,565)	(6,762)	(7,137)	(7,174)
Administrative expense	<u>(59)</u>	<u>(64)</u>	<u>(56)</u>	<u>(55)</u>	<u>(39)</u>	<u>(42)</u>	<u>(59)</u>	<u>(43)</u>	<u>(154)</u>	<u>(210)</u>
Net changes in plan fiduciary net position	2,505	4,386	(19,302)	7,232	3,790	9,086	(8,266)	6,081	1,400	(5,040)
Plan fiduciary net position, beginning	<u>73,694</u>	<u>69,308</u>	<u>88,610</u>	<u>81,378</u>	<u>77,588</u>	<u>68,502</u>	<u>76,768</u>	<u>70,687</u>	<u>69,287</u>	<u>74,327</u>
Plan fiduciary net position, ending	<u>76,199</u>	<u>73,694</u>	<u>69,308</u>	<u>88,610</u>	<u>81,378</u>	<u>77,588</u>	<u>68,502</u>	<u>76,768</u>	<u>70,687</u>	<u>69,287</u>
Net pension liability (asset), ending	<u>\$ (1,924)</u>	<u>\$ 1,250</u>	<u>\$ 6,017</u>	<u>\$ (11,689)</u>	<u>\$ (4,158)</u>	<u>\$ 377</u>	<u>\$ 11,128</u>	<u>\$ 2,229</u>	<u>\$ 8,551</u>	<u>\$ 11,464</u>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF CHANGES IN NET PENSION  
 LIABILITY AND RELATED RATIOS (In Thousands), Continued  
 September 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net position as a percentage of pension liability	<u>102.59%</u>	<u>98.33%</u>	<u>92.01%</u>	<u>115.20%</u>	<u>105.38%</u>	<u>99.52%</u>	<u>86.03%</u>	<u>97.18%</u>	<u>89.21%</u>	<u>85.80%</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS (In Thousands), Continued  
September 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016

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- *Changes in assumptions:* In 2022, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, health annuitants, and contingent survivors with mortality improvement projected using Scale MP-2021 on a fully generational basis. In 2021, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, health annuitants, and contingent survivors with mortality improvement projected using Scale MP-2020 on a fully generational basis. In 2020, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees and healthy annuitants, with mortality improvements projected using Scale MP-2019 on a fully generational basis and after a review of the Plan's demographics and industry. In 2019, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2018 mortality improvement scale on a generational basis. In 2018, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2017 mortality improvement scale on a generational basis. In 2017, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the scale MP-2016 mortality improvement scale on a generational basis. In 2016, amounts reported as changes in assumptions resulted primarily from the change in turnover assumption. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2014 Mortality Table for Annuitants and Non-Annuitants for purposes of developing mortality rates.
- *Changes of benefit terms:* In 2014, amounts reported as changes of benefit terms resulted primarily from the additional benefits payable under the Early Retirement Window and the related change in assumptions.

See independent auditor's report.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF PENSION CONTRIBUTIONS (In Thousands)  
 September 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 667	\$ 1,168	\$ 1,719	\$ 1,849	\$ 2,375	\$ 3,012	\$ 3,055
Contributions made in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>625</u>	<u>875</u>	<u>1,168</u>	<u>1,719</u>	<u>1,849</u>	<u>2,375</u>	<u>3,012</u>	<u>3,055</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625)</u>	<u>\$ (208)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

SCHEDULE OF PENSION CONTRIBUTIONS (In Thousands), Continued  
September 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016

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Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Asset valuation method: Market Value
- Salary increases: N/A - plan is frozen
- Investment rate of return: 7.50% per year, compounded annually
- Retirement age varies by age and service.
- Prior to January 1, 2015, mortality rates were based on the RP-2000 Combined Mortality Table. As of January 1, 2015, mortality rates were based on the RP-2014 Mortality Table for Annuitants and Non-Annuitants, fully generational with projected mortality improvements using Scale MP-2014, with blue collar adjustment. As of January 1, 2017, mortality rates were based on the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2016 mortality improvement scale on a generational basis. As of January 1, 2018, mortality rates were based on the sex-distinct Blue Collar 2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2017 mortality improvement scale on a generational basis. As of January 1, 2019, mortality rates were based on the sex-distinct Blue Collar RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2018 mortality improvement scale on a generational basis. As of January 1, 2020, mortality rates were based on the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees and healthy annuitants, with mortality improvements projected using Scale MP-2019 on a fully generational basis. As of January 1, 2021, mortality rates were based on the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, healthy annuitants, and contingent survivors with mortality improvement projected using Scale MP-2020 on a fully generational basis. As of January 1, 2022, 2023, 2024, and 2025, mortality rates were based on the sex-distinct Amount-Weighted Blue Collar Pri-2012 Mortality Tables for employees, healthy annuitants, and contingent survivors with mortality improvement projected using Scale MP-2021 on a fully generational basis. This assumption was based on a review of published mortality tables and the demographics and the industry of the Plan.

See independent auditor's report.



## INDEPENDENT AUDITOR'S REPORT ON FACILITY INFORMATION

The Board of Trustees  
Hospital Authority of Valdosta  
and Lowndes County, Georgia  
Valdosta, Georgia

We have audited the financial statements of the Hospital Authority of Valdosta and Lowndes County, Georgia (Authority) as of and for the years ended September 30, 2025 and 2024, and our report thereon dated December 16, 2025, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information included in this report on pages 74 through 79, is presented for purposes of additional analysis of the financial statements rather than to present the balance sheet and statement of revenues and expenses of the individual facilities and is not a required part of the financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual facilities.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Driffin & Tucker, LLP*

Albany, Georgia  
December 16, 2025

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands)  
September 30, 2025

	SGMC, Inc.						Intercompany Eliminations	Total Combined Authority
	SGMC Health	SGMC Health Berrien	SGMC Health Lanier	SGMC Affiliated Services	SGMC Physician Network	Authority		
Current assets:								
Cash and cash equivalents	\$ 12,178	\$ 483	\$ 4,849	\$ 9	\$ 861	\$ 53	\$ -	\$ 18,433
Short-term investments	12,394	-	-	-	-	-	-	12,394
Net patient accounts receivable	47,546	5,562	2,672	3,904	2,122	984	-	62,790
Other receivables	14,702	-	-	-	58	-	-	14,760
Supplies (first-in, first-out)	16,070	180	185	-	-	-	-	16,435
Estimated third-party payor settlements	2,273	-	-	-	-	-	-	2,273
Other current assets	8,621	-	-	-	523	-	-	9,144
<b>Total current assets</b>	<b>113,784</b>	<b>6,225</b>	<b>7,706</b>	<b>3,913</b>	<b>3,564</b>	<b>1,037</b>	<b>-</b>	<b>136,229</b>
Noncurrent cash and investments	332,746	-	-	-	-	-	-	332,746
Capital assets, net	274,048	15,783	10,087	-	-	-	-	299,918
Other assets	6,552	-	-	-	-	-	-	6,552
Intercompany receivables	(53,210)	-	-	-	-	-	53,210	-
<b>Total assets</b>	<b>673,920</b>	<b>22,008</b>	<b>17,793</b>	<b>3,913</b>	<b>3,564</b>	<b>1,037</b>	<b>53,210</b>	<b>775,445</b>
Deferred outflows of resources	(925)	483	-	-	-	3,019	-	2,577
<b>Total assets and deferred outflows of resources</b>	<b>\$ 672,995</b>	<b>\$ 22,491</b>	<b>\$ 17,793</b>	<b>\$ 3,913</b>	<b>\$ 3,564</b>	<b>\$ 4,056</b>	<b>\$ 53,210</b>	<b>\$ 778,022</b>

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands), Continued  
September 30, 2025

	SGMC, Inc.						Intercompany Eliminations	Total Combined Authority
	SGMC Health	SGMC Health Berrien	SGMC Health Lanier	SGMC Affiliated Services	SGMC Physician Network	Authority		
Current liabilities:								
Current maturities of long-term debt	\$ 7,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,257
Current maturities of lease and subscription IT liabilities	7,799	-	-	-	-	-	-	7,799
Accounts payable	42,266	-	-	-	4,443	-	-	46,709
Accrued expenses	45,784	-	-	-	-	-	-	45,784
Estimated third-party payor settlements	2,599	215	230	-	-	-	-	3,044
<b>Total current liabilities</b>	<b>105,705</b>	<b>215</b>	<b>230</b>	<b>-</b>	<b>4,443</b>	<b>-</b>	<b>-</b>	<b>110,593</b>
Long-term debt, excluding current maturities	257,146	-	-	-	-	-	-	257,146
Lease and subscription IT liabilities, excluding current maturities	16,808	-	-	-	-	-	-	16,808
Net pension liability	(2,750)	-	-	-	-	2,750	-	-
Intercompany payables	-	22,275	17,564	-	(93,049)	-	53,210	-
<b>Total liabilities</b>	<b>376,909</b>	<b>22,490</b>	<b>17,794</b>	<b>-</b>	<b>(88,606)</b>	<b>2,750</b>	<b>53,210</b>	<b>384,547</b>
Deferred inflows of resources	1,650	-	-	-	-	78	-	1,728
Net position	294,436	1	(1)	3,913	92,170	1,228	-	391,747
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 672,995</b>	<b>\$ 22,491</b>	<b>\$ 17,793</b>	<b>\$ 3,913</b>	<b>\$ 3,564</b>	<b>\$ 4,056</b>	<b>\$ 53,210</b>	<b>\$ 778,022</b>

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands)  
September 30, 2024, restated

	SGMC, Inc.				Authority	Intercompany Eliminations	Total Combined Authority
	SGMC Health	SGMC Health Berrien	SGMC Health Lanier	SGMC Physician Network			
Current assets:							
Cash and cash equivalents	\$ 6,760	\$ 974	\$ 4,277	\$ 1,302	\$ 205	\$ -	\$ 13,518
Short-term investments	12,490	-	-	-	-	-	12,490
Net patient accounts receivable	47,055	3,689	1,912	1,711	1,361	-	55,728
Other receivables	9,915	-	-	356	-	-	10,271
Supplies (first-in, first-out)	13,612	162	154	-	-	-	13,928
Estimated third-party payor settlements	1,128	-	-	-	-	-	1,128
Other current assets	3,563	-	-	670	-	-	4,233
Total current assets	94,523	4,825	6,343	4,039	1,566	-	111,296
Noncurrent cash and investments	382,955	-	-	-	-	-	382,955
Capital assets, net	207,334	13,291	9,878	-	-	-	230,503
Other assets	3,033	-	-	-	-	-	3,033
Intercompany receivables	93,083	-	-	-	-	(93,083)	-
Total assets	780,928	18,116	16,221	4,039	1,566	(93,083)	727,787
Deferred outflows of resources	3,146	626	-	-	3,019	-	6,791
Total assets and deferred outflows of resources	\$ 784,074	\$ 18,742	\$ 16,221	\$ 4,039	\$ 4,585	\$ (93,083)	\$ 734,578

Continued

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

BALANCE SHEET - INDIVIDUAL FACILITIES (In Thousands), Continued  
September 30, 2024, restated

	SGMC, Inc.					Intercompany Eliminations	Total Combined Authority
	SGMC Health	SGMC Health Berrien	SGMC Health Lanier	SGMC Physician Network	Authority		
Current liabilities:							
Current maturities of long-term debt	\$ 5,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,841
Current maturities of lease and subscription IT liabilities	5,971	-	-	-	-	-	5,971
Accounts payable	31,429	25	7	3,284	-	-	34,745
Accrued expenses	46,476	-	-	-	-	-	46,476
Estimated third-party payor settlements	<u>2,809</u>	<u>388</u>	<u>(1,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,841</u>
Total current liabilities	92,526	413	(1,349)	3,284	-	-	94,874
Long-term debt, excluding current maturities	267,060	-	-	-	-	-	267,060
Lease and subscription IT liabilities, excluding current maturities	17,491	-	-	-	-	-	17,491
Net pension liability	-	-	-	-	1,250	-	1,250
Intercompany payables	<u>-</u>	<u>18,330</u>	<u>17,572</u>	<u>57,181</u>	<u>-</u>	<u>(93,083)</u>	<u>-</u>
Total liabilities	<u>377,077</u>	<u>18,743</u>	<u>16,223</u>	<u>60,465</u>	<u>1,250</u>	<u>(93,083)</u>	<u>380,675</u>
Deferred inflows of resources	<u>370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>	<u>-</u>	<u>448</u>
Net position	<u>406,627</u>	<u>(1)</u>	<u>(2)</u>	<u>(56,426)</u>	<u>3,257</u>	<u>-</u>	<u>353,455</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 784,074</u>	<u>\$ 18,742</u>	<u>\$ 16,221</u>	<u>\$ 4,039</u>	<u>\$ 4,585</u>	<u>\$ (93,083)</u>	<u>\$ 734,578</u>

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENT OF REVENUES AND EXPENSES - INDIVIDUAL FACILITIES (In Thousands)  
September 30, 2025

	SGMC, Inc.						Intercompany Eliminations	Total Combined Authority
	SGMC Health	SGMC Health Berrien	SGMC Health Lanier	SGMC Affiliated Services	SGMC Physician Network	Authority		
Operating revenues:								
Net patient service revenue, net of provision for bad debts of \$56,291	\$ 483,429	\$ 12,907	\$ 17,809	\$ 6,076	\$ 39,404	\$ 19,097	\$ -	\$ 578,722
Other revenue	22,644	28	339	-	104	1,919	(4,954)	20,080
Total operating revenues	506,073	12,935	18,148	6,076	39,508	21,016	(4,954)	598,802
Operating expenses:								
Salaries and benefits	212,339	8,177	15,057	586	47,652	9,621	-	293,432
Supplies	126,378	1,278	1,910	397	1,499	776	-	132,238
Services	46,383	955	2,351	8	504	846	-	51,047
Depreciation and amortization	30,939	645	606	-	-	-	-	32,190
Medical and professional fees	47,763	985	1,178	1,381	11,383	511	(4,954)	58,247
Other expenses	17,685	631	967	39	1,856	77	-	21,255
Total operating expenses	481,487	12,671	22,069	2,411	62,894	11,831	(4,954)	588,409
Operating income (loss)	24,586	264	(3,921)	3,665	(23,386)	9,185	-	10,393
Nonoperating revenue (expenses)	17,275	1,953	515	-	(270)	-	-	19,473
Excess revenues (expenses)	\$ 41,861	\$ 2,217	\$ (3,406)	\$ 3,665	\$ (23,656)	\$ 9,185	\$ -	\$ 29,866

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

STATEMENT OF REVENUES AND EXPENSES - INDIVIDUAL FACILITIES (In Thousands)  
September 30, 2024, restated

	SGMC, Inc.					Intercompany Eliminations	Total Combined Authority
	SGMC Health	SGMC Health Berrien	SGMC Health Lanier	SGMC Physician Network	Authority		
Operating revenues:							
Net patient service revenue, net of provision for bad debts of \$47,777	\$ 418,941	\$ 10,678	\$ 16,686	\$ 34,703	\$ 58,534	\$ -	\$ 539,542
Other revenue	<u>22,392</u>	<u>4</u>	<u>707</u>	<u>172</u>	<u>2,372</u>	<u>(4,207)</u>	<u>21,440</u>
Total operating revenues	<u>441,333</u>	<u>10,682</u>	<u>17,393</u>	<u>34,875</u>	<u>60,906</u>	<u>(4,207)</u>	<u>560,982</u>
Operating expenses:							
Salaries and benefits	183,754	6,161	12,079	42,764	23,979	-	268,737
Supplies	106,669	1,030	1,979	1,792	9,629	-	121,099
Services	40,898	448	3,011	462	5,538	-	50,357
Depreciation and amortization	25,083	437	634	-	1,589	-	27,743
Medical and professional fees	38,216	1,560	1,213	10,465	3,960	(4,207)	51,207
Other expenses	<u>19,620</u>	<u>266</u>	<u>796</u>	<u>1,784</u>	<u>1,133</u>	<u>-</u>	<u>23,599</u>
Total operating expenses	<u>414,240</u>	<u>9,902</u>	<u>19,712</u>	<u>57,267</u>	<u>45,828</u>	<u>(4,207)</u>	<u>542,742</u>
Operating income (loss)	27,093	780	(2,319)	(22,392)	15,078	-	18,240
Nonoperating revenue (expenses)	<u>44,152</u>	<u>926</u>	<u>492</u>	<u>(266)</u>	<u>(5,806)</u>	<u>-</u>	<u>39,498</u>
Excess revenues (expenses)	<u>\$ 71,245</u>	<u>\$ 1,706</u>	<u>\$ (1,827)</u>	<u>\$ (22,658)</u>	<u>\$ 9,272</u>	<u>\$ -</u>	<u>\$ 57,738</u>

See report on facility information.

HOSPITAL AUTHORITY OF VALDOSTA AND LOWNDES COUNTY, GEORGIA

NOTES TO FACILITY INFORMATION  
September 30, 2025 and 2024

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- Due to the lease and transfer agreement effective November 1, 2023, in the 2024 presentation, the Authority reflects one month activity of SGMC Health, SGMC Health Berrien, and SGMC Health Lanier, as well as twelve months activity of EMS and South Georgia Medical Center Retirement Plan. The 2025 presentation reflects twelve months of activity for each facility.
- SGMC Affiliated Services was created on November 1, 2024, and became operational on January 1, 2025. As such, the 2025 presentation reflects nine months of activity of SGMC Affiliated Services.

See report on facility information.