

WILCOX HOSPITAL BOARD

CAMDEN, ALABAMA

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended September 30, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Wilcox Hospital Board
Camden, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying consolidated financial statements of the business-type activities of Wilcox Hospital Board (Board) as of and for the years ended September 30, 2024 and 2023, and the discretely presented component unit, Wilcox Community Health Foundation, Inc., as of and for the years ended December 31, 2024 and 2023, and the related notes to the consolidated financial statements, which collectively comprise the Board'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 as of September 30, 2024 and 2023 and the discretely presented component unit of Wilcox Hospital Board as of December 31, 2024 and 2023, 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 Board 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.

Continued

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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 Board'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 Board'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 Board'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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Pension Contributions on pages 42 through 45 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.

Consolidating Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying consolidating information, as listed in the table of contents, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the basic financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2025, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting and compliance.

DRAFFIN + TUCKER, LLP

Albany, Georgia
November 4, 2025

WILCOX HOSPITAL BOARD

Consolidated Balance Sheets
as of September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 642,730	\$ 904,972
Short-term investments	-	1,200,000
Patient accounts receivable, net of estimated uncollectibles of \$4,873,000 in 2024 and \$4,272,000 in 2023	571,596	488,445
Estimated third-party payor settlements	62,680	47,294
Supplies	141,351	146,732
Other current assets	<u>809,190</u>	<u>678,726</u>
Total current assets	<u>2,227,547</u>	<u>3,466,169</u>
<i>Capital assets:</i>		
Non-depreciable	867,396	206,796
Depreciable, net of accumulated depreciation	2,063,562	2,206,251
Intangible right-to-use lease assets, net of accumulated amortization	49,517	54,885
Intangible right-to-use subscription IT assets, net of accumulated amortization	<u>65,050</u>	<u>86,786</u>
Total capital assets, net	<u>3,045,525</u>	<u>2,554,718</u>
Total assets	<u>5,273,072</u>	<u>6,020,887</u>
<i>Deferred outflows of resources:</i>		
Deferred pension outflows	<u>733,951</u>	<u>1,602,899</u>
Total assets and deferred outflows of resources	\$ <u>6,007,023</u>	\$ <u>7,623,786</u>

Continued

WILCOX HOSPITAL BOARD

Consolidated Balance Sheets, Continued
as of September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
<i>Current liabilities:</i>		
Current maturities of long-term debt and lease liabilities	\$ 46,486	\$ 82,970
Current maturities of subscription IT liabilities	22,883	21,844
Accounts payable	100,612	74,093
Accrued expenses	289,456	268,883
CARES and ARP Act unearned revenue	<u>283,961</u>	<u>290,787</u>
Total current liabilities	<u>743,398</u>	<u>738,577</u>
<i>Long-term liabilities:</i>		
Long-term debt and lease liabilities, net of current maturities	53,741	77,661
Subscription IT liabilities, excluding current maturities	44,790	67,673
Net pension liability	<u>226,559</u>	<u>566,260</u>
Total long-term liabilities	<u>325,090</u>	<u>711,594</u>
Total liabilities	<u>1,068,488</u>	<u>1,450,171</u>
<i>Deferred inflows of resources:</i>		
Deferred property tax revenue	647,904	592,082
Deferred pension inflows	<u>419,966</u>	<u>810,763</u>
Total deferred inflows of resources	<u>1,067,870</u>	<u>1,402,845</u>
Total liabilities and deferred inflows of resources	<u>2,136,358</u>	<u>2,853,016</u>
<i>Net position:</i>		
Net investment in capital assets	2,910,283	2,347,900
Unrestricted	<u>960,382</u>	<u>2,422,870</u>
Total net position	<u>3,870,665</u>	<u>4,770,770</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>6,007,023</u>	\$ <u>7,623,786</u>

The accompanying notes are integral parts of these financial statements.

WILCOX HOSPITAL BOARD

Balance Sheets - Discretely Presented Component Unit
as of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
<i>Current assets:</i>		
Cash	\$ <u>31,579</u>	\$ <u>40,544</u>
Total assets	\$ <u>31,579</u>	\$ <u>40,544</u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities:</i>		
Accounts payable	\$ <u>700</u>	\$ <u>700</u>
Total liabilities	<u>700</u>	<u>700</u>
<i>Net assets:</i>		
With donor restrictions	29,000	35,200
Without donor restrictions	<u>1,879</u>	<u>4,644</u>
Total net assets	<u>30,879</u>	<u>39,844</u>
Total liabilities and net assets	\$ <u>31,579</u>	\$ <u>40,544</u>

The accompanying notes are integral parts of these financial statements.

WILCOX HOSPITAL BOARD

Consolidated Statements of Revenues, Expenses and Changes in Net Position
for the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<i>Operating revenues:</i>		
Net patient service revenue (net of provision for bad debts of \$920,000 in 2024 and \$970,000 in 2023)	\$ 4,021,607	\$ 4,035,083
Other revenue	<u>274,775</u>	<u>454,440</u>
Total operating revenues	<u>4,296,382</u>	<u>4,489,523</u>
<i>Operating expenses:</i>		
Salaries and wages	3,508,695	3,377,958
Employee benefits	726,693	449,310
Purchased services	1,555,519	1,441,931
Supplies	466,026	418,302
Depreciation and amortization	385,585	442,799
Other expenses	<u>1,032,694</u>	<u>807,652</u>
Total operating expenses	<u>7,675,212</u>	<u>6,937,952</u>
Operating loss	<u>(3,378,830)</u>	<u>(2,448,429)</u>
<i>Nonoperating revenues (expenses):</i>		
Noncapital grants and contributions	1,023,172	342,034
Tax revenues	1,351,463	1,382,513
Other nonoperating revenues	34,596	71,755
CARES and ARP Act funding	81,826	294,356
Interest expense	<u>(12,332)</u>	<u>(18,133)</u>
Total nonoperating revenues	<u>2,478,725</u>	<u>2,072,525</u>
Excess expenses	<u>(900,105)</u>	<u>(375,904)</u>
Net position, beginning of year	<u>4,770,770</u>	<u>5,146,674</u>
Net position, end of year	\$ <u>3,870,665</u>	\$ <u>4,770,770</u>

The accompanying notes are integral parts of these financial statements.

WILCOX HOSPITAL BOARD

Statements of Activities - Discretely Presented Component Unit
for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
<i>Revenues:</i>		
Contributions	\$ <u>35</u>	\$ <u>8,750</u>
Total revenues	<u>35</u>	<u>8,750</u>
<i>Expenses:</i>		
Program services:		
Contributions to J. Paul Jones Hospital	38,000	8,750
Supporting activities:		
Administrative	<u>-</u>	<u>1,328</u>
Total expenses	<u>38,000</u>	<u>10,078</u>
Change in net assets without donor restrictions	(37,965)	(1,328)
Net assets with donor restrictions:		
Contributions	<u>29,000</u>	<u>35,200</u>
Change in net assets with donor restrictions	<u>29,000</u>	<u>35,200</u>
Total change in net assets	(8,965)	33,872
Net assets, beginning of year	<u>39,844</u>	<u>5,972</u>
Net assets, end of year	\$ <u>30,879</u>	\$ <u>39,844</u>

The accompanying notes are integral parts of these financial statements.

WILCOX HOSPITAL BOARD

Consolidated Statements of Cash Flows
for the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 3,923,070	\$ 4,007,946
Payments to suppliers and contractors	(3,022,339)	(2,770,437)
Payments to employees	(4,076,365)	(4,003,270)
Other receipts	<u>221,378</u>	<u>635,159</u>
Net cash used by operating activities	<u>(2,954,256)</u>	<u>(2,130,602)</u>
Cash flows from noncapital financing activities:		
Local sales and ad valorem tax revenues	1,330,218	1,382,513
Noncapital grants and contributions	1,046,554	441,782
Principal paid on long-term debt	(10,672)	(10,254)
Interest paid on long-term debt	(1,957)	(1,957)
CARES and ARP Act funding	<u>75,000</u>	<u>113,832</u>
Net cash provided by noncapital financing activities	<u>2,439,143</u>	<u>1,925,916</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(835,782)	(486,220)
Principal paid on lease liabilities	(79,128)	(158,445)
Principal paid on subscription IT liabilities	(21,844)	(18,133)
Interest paid on lease and subscription IT liabilities	<u>(10,375)</u>	<u>(16,176)</u>
Net cash used by capital and related financing activities	<u>(947,129)</u>	<u>(678,974)</u>
Cash flows from investing activities:		
Sale (purchase) of short-term investments	<u>1,200,000</u>	<u>(1,200,000)</u>
Net cash provided (used) by investing activities	<u>1,200,000</u>	<u>(1,200,000)</u>
Net decrease in cash and cash equivalents	(262,242)	(2,083,660)
Cash and cash equivalents, beginning of year	<u>904,972</u>	<u>2,988,632</u>
Cash and cash equivalents, end of year	\$ <u>642,730</u>	\$ <u>904,972</u>

Continued

WILCOX HOSPITAL BOARD

Consolidated Statements of Cash Flows, Continued
for the years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents	\$ <u>642,730</u>	\$ <u>904,972</u>
Total cash and cash equivalents	\$ <u><u>642,730</u></u>	\$ <u><u>904,972</u></u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$(3,378,830)	\$(2,448,429)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	385,585	442,799
Provision for bad debts	920,179	970,006
Changes in:		
Patient accounts receivable	(1,003,330)	(997,143)
Supplies	5,381	(38,073)
Estimated third-party payor settlements	(15,386)	-
Other current assets	(53,397)	180,719
Deferred outflows of resources	868,948	(1,008,779)
Accounts payable	26,519	(64,479)
Accrued expenses	20,573	(105,406)
Net pension liability	(339,701)	2,095,867
Deferred inflows of resources	(<u>390,797</u>)	(<u>1,157,684</u>)
Net cash used by operating activities	\$ <u>(2,954,256)</u>	\$ <u>(2,130,602)</u>

Supplemental disclosures of cash flow information:

- The Board entered into lease obligations of approximately \$30,000 and \$9,000 for the years ended September 30, 2024 and 2023, respectively.

The accompanying notes are integral parts of these financial statements.

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements September 30, 2024 and 2023

1. Summary of Significant Accounting Policies

Reporting entity. J. Paul Jones Hospital (Hospital) is a not-for-profit organization operated by the Wilcox Hospital Board (Board), a town/county board organized under Title 22, Section 189 of the Code of Alabama 1940 and continued as such under Code of Alabama 1975, § 22-21-1. The Hospital and Board are considered governmental entities. The 21 functioning bed hospital provides hospital service, and ambulatory care to the Town of Camden, Alabama and surrounding Wilcox County. The Board has a management agreement with MedCare Emergency Medical Services, Inc. (EMS) to operate the ambulatory care services.

The Wilcox Community Health Foundation, Inc. (Foundation) was incorporated on December 6, 1988 and has a fiscal year end of December 31. Because of the existence of common directors and other factors, the Board is deemed to have control of the Foundation. As a result, the Foundation is presented as a discretely presented component unit in the Board's financial statements, whereby the balance sheet and the statement of activities are separately presented in the accompanying financial statements.

The Foundation is a not-for-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including Topic 958. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) standards.

The Hospital, the Board, EMS and the Foundation are collectively referred to as the "Board" throughout the notes to the consolidated financial statements.

Affiliation and management agreement. Effective February 1, 2018, the Board and UAB Health System (UABHS) entered into an Initial Affiliation and Management Agreement. UABHS is engaged in the management of health care delivery operation for the Board of Trustees of the University of Alabama on behalf of the University of Alabama at Birmingham (the UA Board).

Under the Initial Affiliation Agreement, the parties agree that the Board will amend its organization documents, as necessary, to permit the appointment of two members to the Board's board of directors who are representatives of UABHS, selected by UABHS. The agreement commenced on February 1, 2018, with initial term ending January 21, 2021 (the Initial Term), provided however, that in the event the Management Agreement terminates prior to January 31, 2021, the Initial Affiliation Agreement shall automatically terminate on the date that the termination of the Management Agreement is effective. Unless otherwise terminated pursuant to the preceding sentence, this Agreement shall be renewed from year to year after the Initial Term unless either party gives written notice of a desire to modify, amend, or terminate the Agreement at least 90 days, but not more than 120 days, prior to the end of the then-current term or renewal period.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Affiliation and management agreement, continued. Under the Management Agreement, UABHS shall perform general management services to the Board which shall involve assessing the Board's business operations, providing advice and recommendations on how to improve those operations, and other services including assisting in preparing budgets, quarterly assessment of the operating and financial performance, providing oversight and direction for the CEO and CFO, and improving and updating its compliance program. The management services are subject to an annual management fee in an amount equal to the greater of \$25,000 or 25% of the Board's net income (as defined by the agreement). The management fee for fiscal year 2024 and 2023 was \$25,000. The agreement commenced on February 1, 2018, with initial term ending January 31, 2021, subject to automatic annual renewals and written notifications similar to those in the Initial Affiliation Agreement noted above. The Board elected to renew the agreement under these terms.

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

Enterprise fund accounting. The Board uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Board prepares its consolidated financial statements as a business-type activity in conformity with applicable pronouncements of the GASB.

Cash and cash equivalents. Cash and cash equivalents include demand deposits and money market accounts held at financial institutions.

Short-term investments. Short-term investments consist of certificates of deposit with original maturities greater than three months. The certificates of deposit are recorded at cost plus accrued interest.

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

Supplies. Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Capital assets. Capital assets are those assets with an initial, individual cost of \$500 and an estimated useful life in excess of one year. Capital assets 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 period of the lease term or the estimated useful life of the equipment. 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 consolidated financial statements.

Land improvements	15 to 20 Years
Buildings and improvements	20 to 40 Years
Equipment	3 to 7 Years
Right-to-use lease assets	3 to 5 Years
Right-to-use subscription IT assets	5 to 6 Years

Compensated absences. The Board's eligible employees earn vacation days at varying rates depending on years of service. Employees may accumulate a maximum of 35 vacation days. Unused days over the maximum are forfeited. Upon resignation, an employee can receive a payout of up to 20 days of unused vacation provided certain criteria are met. The estimated payable is reported in accrued expenses on the balance sheet for both 2024 and 2023. Upon termination of employment, employees will not be compensated for any unused vacation days.

Eligible full-time employees are given twelve personal days per year, which may be taken in eight-hour increments. Personal days not used by the end of the year are forfeited.

Unearned revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES and ARP Act advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 14 for additional information.

Leases. The Board is a lessee for noncancellable lease assets. The Board 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 Board 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. 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 its useful life.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

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

- The Board 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 Board generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, and if there is a renewal option, the estimated amount of time the lease will continue to be leased when reasonably certain the option will be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Board is reasonably certain to exercise.

The Board 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 long-term debt on the balance sheets.

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.

Subscription-based information technology arrangements. The Board has subscription-based information technology arrangements (SBITAs). The Board 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 Board 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 its useful life.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Subscription-based information technology arrangements, continued. Key estimates and judgments related to SBITAs include how the Board determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Board 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 Board 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 Board 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 long-term liabilities on the balance sheets.

Net position. Net position of the Board is classified into three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities 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 Board. *Unrestricted net position* is 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 position*.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Foundation net assets. Foundation net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - net assets available for use in general operations and not subject to donor imposed restrictions. The Board has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.
- *Net assets with donor restrictions* - net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net patient service revenue. The Board has agreements with third-party payors that provide for payments to the Board 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 Board 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 Board does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Operating revenues and expenses. The Board's statements 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 Board's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Grants and contributions. From time to time, the Board receives grants from various state and federal agencies as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 14 for additional information regarding CARES and ARP Act funding.

Foundation contributions. Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Gifts of long-lived assets such as land, buildings, or equipment are reported as increases in net assets without donor restrictions, and are excluded from excess revenues (expenses), unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Foundation's net assets with donor restrictions are subject to expenditure for a specified purpose. The Foundation did not receive any contributed nonfinancial assets for the years ended December 31, 2024 and 2023.

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

The Foundation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Foundation applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Foundation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

Income taxes, continued. Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2024 and 2023 or for the years then ended. The Foundation's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of these returns.

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

Deferred outflows of resources. Deferred outflows of resources consist of amounts related to the defined benefit pension plan of approximately \$734,000 and \$1,603,000 at September 30, 2024 and 2023, respectively. See Note 8 for additional information.

Deferred inflows of resources. Deferred inflows of resources consist of amounts related to the defined benefit pension plan of approximately \$420,000 and \$811,000 at September 30, 2024 and 2023, respectively. See Note 8 for additional information.

The Board receives the proceeds of certain ad valorem tax revenues. The proceeds of taxes such as those received by the Board (referred to as imposed nonexchange revenue transactions) are recorded as deferred inflows of resources by the recipient when an enforceable legal claim to the resources exists or the resources are received, whichever is first, and as revenue by the recipient in the period for which taxes are levied.

The property taxes are levied by Wilcox County on the Board's behalf on September 30th and are intended to support the Board's activities. Amounts are levied on assessed property values as of the preceding October 1st. Property taxes are considered delinquent on the day following each payment due date. The property taxes are collected and used in the fiscal year following the levy and are, therefore, deferred at year-end. Wilcox County designated 3 mills to the Board during fiscal years 2024 and 2023.

Risk management. The Board is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage in any of the three preceding years. See Note 11 for additional information related to the Board's general and professional coverage.

Impairment of long-lived assets. The Board evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Board has not recorded any impairment charges in the accompanying consolidated statements of revenues, expenses and changes in net position for the years ended September 30, 2024 and 2023.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

1. Summary of Significant Accounting Policies, Continued

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

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- *Level 3:* Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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 or 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.

Accounting pronouncement not yet adopted. 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. GASB 101 is effective for fiscal years beginning after December 15, 2023. The Board is currently evaluating the impact GASB 101 will have on its financial statements.

2. Net Patient Service Revenue

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

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

2. Net Patient Service Revenue, Continued

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 16%, respectively, of the Board's net patient service revenue for the year ended 2024 and 33% and 18%, respectively, of the Board's net patient service revenue for the year ended 2023. 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 Board 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. While no such regulatory inquiries have been made to date, 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.* Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The Board is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Board and audits thereof by the Medicare Administrative Contractor (MAC). The Board'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 Board. The Board's Medicare cost reports have been audited by the MAC through September 30, 2021.

Subsequent to year end, the Board received Rural Emergency Hospital (REH) designation from Medicare effective April 1, 2025. REHs receive the following benefits:

- Payment of Outpatient Prospective Payment System (OPPS) rate plus 5% for all outpatient department services provided to Medicare beneficiaries.
- A monthly facility payment (\$285,626 per month for 2025).
- Flexible staffing and services.
- *Medicaid.* The Hospital Funding Program governs Medicaid payments. For public hospitals, the Hospital Funding Program utilizes federal funds derived from disproportionate share hospital (DSH) payments to provide inpatient and outpatient payments.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

2. Net Patient Service Revenue, Continued

- *Medicaid, continued.* Hospitals receive quarterly DSH payments during the state fiscal year, base per diem payments for inpatient services, and outpatient payments based on the Medicaid fee schedule maintained by the Medicaid agency. These payments are determined and provided by the Alabama Medicaid Agency. The Alabama Medicaid Agency claims the maximum allowable DSH amount from the federal government and distributes these funds to hospitals based on a hospital's share of statewide uncompensated care.

DSH transactions are considered interim payments by the Centers for Medicare and Medicaid Services (CMS), the federal agency responsible for managing states' Medicaid programs. The Alabama Medicaid Agency is required to conduct reconciliations of DSH payments to hospitals with actual costs incurred by the hospitals. At year end, this reconciliation process was in progress for SFY 2021. Based on these reconciliations, the State of Alabama, through the Medicaid Agency, is responsible for any excess funds claimed above allowed amounts or unclaimed funds below allowed amounts from CMS. If the reconciliation shows the cost incurred for all public hospitals is more than the total DSH payments received, no individual hospital adjustment will be made; however, if the cost incurred for all public hospitals is less than the total DSH payments received, each individual hospital will be required to reimburse its pro rata share of payments received for the difference noted. During 2024, there were no audit findings requiring reimbursement from public hospitals.

- *Blue Cross.* Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. Outpatient services rendered to Blue Cross subscribers are reimbursed using Enhanced Ambulatory Patient Grouping (EAPG). EAPG groups procedures and medical visits sharing similar characteristics and resource utilization, and generates payments based on a multiple of average resource utilization (determined by the EAPG model) and the provider base rate.
- *Other Arrangements.* The Board has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Board under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. Uncompensated Services

The Board was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2024 and 2023 were approximately \$5,353,000 and \$5,349,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$7,000 and \$10,000 in 2024 and 2023, respectively. The cost of charity and indigent care services provided during 2024 and 2023 were approximately \$6,000 and \$7,000, respectively, computed by applying a total cost factor to the charges foregone.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

3. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gross patient charges	\$ <u>9,374,428</u>	\$ <u>9,383,921</u>
Uncompensated services:		
Indigent and charity care	6,544	10,315
Other allowances	4,426,098	4,368,517
Bad debts	<u>920,179</u>	<u>970,006</u>
Total uncompensated care	<u>5,352,821</u>	<u>5,348,838</u>
Net patient service revenue	\$ <u>4,021,607</u>	\$ <u>4,035,083</u>

4. Deposits and Investments

The Board's cash and cash equivalents are carried at cost, which approximates fair value. Deposits and investments as of September 30, 2024 and 2023 are classified in the accompanying consolidated financial statements as follows:

	<u>2024</u>	<u>2023</u>
Balance sheets:		
Cash and cash equivalents	\$ 642,730	\$ 904,972
Short-term investments	<u>-</u>	<u>1,200,000</u>
Total	\$ <u>642,730</u>	\$ <u>2,104,972</u>
Deposits consist of the following:		
Deposits with financial institutions	\$ 393,436	\$ 897,338
Certificates of deposit	-	1,200,000
Money market accounts	<u>249,294</u>	<u>7,634</u>
Total	\$ <u>642,730</u>	\$ <u>2,104,972</u>

The carrying amount of the Foundation's cash as of December 31, 2024 and 2023 is classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Balance sheets:		
Cash	\$ <u>31,579</u>	\$ <u>40,544</u>
Total	\$ <u>31,579</u>	\$ <u>40,544</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

4. Deposits and Investments, Continued

At September 30, 2024 and 2023, the Board's deposits were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. The Foundation's deposits are excluded from the SAFE Program as they are not public funds. However, the Foundation's deposits do not exceed the \$250,000 FDIC limit and are therefore insured in full.

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Board at September 30, 2024 and 2023 consisted of these amounts:

	<u>2024</u>	<u>2023</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 2,948,301	\$ 2,665,868
Receivable from Medicare	1,747,142	1,142,515
Receivable from Medicaid	<u>764,375</u>	<u>952,096</u>
Total patient accounts receivable	5,459,818	4,760,479
Less allowance for uncollectible amounts and contractual adjustments	<u>4,888,222</u>	<u>4,272,034</u>
Patient accounts receivable, net	\$ <u>571,596</u>	\$ <u>488,445</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 264,371	\$ 243,730
Payable to suppliers	100,612	74,093
Other	<u>25,085</u>	<u>25,153</u>
Total accounts payable and accrued expenses	\$ <u>390,068</u>	\$ <u>342,976</u>
Foundation trade payables	\$ <u>700</u>	\$ <u>700</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

6. Capital Assets

Capital asset changes for the years ended September 30, 2024 and 2023 were as follows:

	<u>2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>2024</u>
Land	\$ 195,885	\$ -	\$ -	\$ -	\$ 195,885
Construction-in-progress	<u>10,911</u>	<u>745,594</u>	<u>(10,266)</u>	<u>(74,728)</u>	<u>671,511</u>
Total capital assets not being depreciated	<u>206,796</u>	<u>745,594</u>	<u>(10,266)</u>	<u>(74,728)</u>	<u>867,396</u>
Buildings and improvements	2,464,482	85,518	-	1,050	2,551,050
Equipment	<u>2,123,102</u>	<u>27,955</u>	<u>(109,792)</u>	<u>73,678</u>	<u>2,114,943</u>
Total capital assets being depreciated	<u>4,587,584</u>	<u>113,473</u>	<u>(109,792)</u>	<u>74,728</u>	<u>4,665,993</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,456,888)	(55,435)	-	-	(1,512,323)
Equipment	<u>(924,445)</u>	<u>(273,087)</u>	<u>107,424</u>	<u>-</u>	<u>(1,090,108)</u>
Total accumulated depreciation	<u>(2,381,333)</u>	<u>(328,522)</u>	<u>107,424</u>	<u>-</u>	<u>(2,602,431)</u>
Capital assets being depreciated, net	<u>2,206,251</u>	<u>(215,049)</u>	<u>(2,368)</u>	<u>74,728</u>	<u>2,063,562</u>
Lease assets:					
Leased equipment	<u>357,111</u>	<u>29,959</u>	<u>(304,160)</u>	<u>-</u>	<u>82,910</u>
Less accumulated amortization for:					
Leased equipment	<u>(302,226)</u>	<u>(35,327)</u>	<u>304,160</u>	<u>-</u>	<u>(33,393)</u>
Total accumulated amortization	<u>(302,226)</u>	<u>(35,327)</u>	<u>304,160</u>	<u>-</u>	<u>(33,393)</u>
Intangible right-to-use lease assets, net	<u>54,885</u>	<u>(5,368)</u>	<u>-</u>	<u>-</u>	<u>49,517</u>
Subscription IT assets	<u>126,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,740</u>
Less accumulated amortization for:					
Subscription IT assets	<u>(39,954)</u>	<u>(21,736)</u>	<u>-</u>	<u>-</u>	<u>(61,690)</u>
Total accumulated amortization	<u>(39,954)</u>	<u>(21,736)</u>	<u>-</u>	<u>-</u>	<u>(61,690)</u>
Intangible right-to-use subscription IT assets, net	<u>86,786</u>	<u>(21,736)</u>	<u>-</u>	<u>-</u>	<u>65,050</u>
Total capital assets, net	\$ <u>2,554,718</u>	\$ <u>503,441</u>	\$ <u>(12,634)</u>	\$ <u>-</u>	\$ <u>3,045,525</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

6. Capital Assets, Continued

	<u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>2023</u>
Land	\$ 195,885	\$ -	\$ -	\$ -	\$ 195,885
Construction-in-progress	<u>80,013</u>	<u>115,679</u>	<u>-</u>	<u>(184,781)</u>	<u>10,911</u>
Total capital assets not being depreciated	<u>275,898</u>	<u>115,679</u>	<u>-</u>	<u>(184,781)</u>	<u>206,796</u>
Buildings and improvements	2,403,251	75,853	(48,021)	33,399	2,464,482
Equipment	<u>2,319,266</u>	<u>294,507</u>	<u>(642,053)</u>	<u>151,382</u>	<u>2,123,102</u>
Total capital assets being depreciated	<u>4,722,517</u>	<u>370,360</u>	<u>(690,074)</u>	<u>184,781</u>	<u>4,587,584</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,329,416)	(52,113)	30,866	(106,225)	(1,456,888)
Equipment	<u>(1,406,117)</u>	<u>(255,769)</u>	<u>631,216</u>	<u>106,225</u>	<u>(924,445)</u>
Total accumulated depreciation	<u>(2,735,533)</u>	<u>(307,882)</u>	<u>662,082</u>	<u>-</u>	<u>(2,381,333)</u>
Capital assets being depreciated, net	<u>1,986,984</u>	<u>62,478</u>	<u>(27,992)</u>	<u>184,781</u>	<u>2,206,251</u>
Lease assets:					
Leased equipment	<u>347,533</u>	<u>9,578</u>	<u>-</u>	<u>-</u>	<u>357,111</u>
Less accumulated amortization for:					
Leased equipment	(189,045)	(113,181)	-	-	(302,226)
Total accumulated amortization	<u>(189,045)</u>	<u>(113,181)</u>	<u>-</u>	<u>-</u>	<u>(302,226)</u>
Intangible right-to-use lease assets, net	<u>158,488</u>	<u>(103,603)</u>	<u>-</u>	<u>-</u>	<u>54,885</u>
Subscription IT assets	<u>126,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,740</u>
Less accumulated amortization for:					
Subscription IT assets	(18,218)	(21,736)	-	-	(39,954)
Total accumulated amortization	<u>(18,218)</u>	<u>(21,736)</u>	<u>-</u>	<u>-</u>	<u>(39,954)</u>
Intangible right-to-use subscription IT assets, net	<u>108,522</u>	<u>(21,736)</u>	<u>-</u>	<u>-</u>	<u>86,786</u>
Total capital assets, net	<u>\$ 2,529,892</u>	<u>\$ 52,818</u>	<u>\$(27,992)</u>	<u>\$ -</u>	<u>\$ 2,554,718</u>

At September 30, 2024, the Board had construction contracts of approximately \$468,000 for the installation of a modular CT. At September 30, 2024, the remaining commitment on these contracts approximated \$140,000.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

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

A summary of long-term debt, lease liabilities, and subscription IT liabilities at September 30, 2024 and 2023 follows:

	<u>2024</u>	<u>2023</u>
Note payable with Alabama Tombigbee Regional Commission (Commission) bearing interest at 4.00%, payable in monthly installments of \$1,018, interest included, due July 2027, secured by assets of the Hospital.	\$ 32,658	\$ 43,330
Lease liabilities - leases for equipment, 3 to 5 year terms, monthly payments with interest ranging from 0.00% to 5.00%. (See Note 15)	<u>67,569</u>	<u>117,301</u>
Total long-term debt and lease liabilities	100,227	160,631
Less current maturities of long-term debt and lease liabilities	<u>46,486</u>	<u>82,970</u>
Long-term debt and lease liabilities, net of current maturities	\$ <u>53,741</u>	\$ <u>77,661</u>
Subscription IT liabilities - various software licenses and remote hosting arrangements, 5 to 6 year terms, monthly payments with interest ranging from 3.25% to 3.50%. (See Note 16)	\$ 67,673	\$ 89,517
Less current maturities of subscription IT liabilities	<u>22,883</u>	<u>21,844</u>
Subscription IT liabilities, net of current maturities	\$ <u>44,790</u>	\$ <u>67,673</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

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

A summary of changes in the Board's long-term debt, lease liabilities, and subscription IT liabilities for September 30, 2024 and 2023 follows:

	<u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u>	Amounts Due Within <u>One Year</u>
Direct borrowing:					
Notes payable	\$ 43,330	\$ -	\$ 10,672	\$ 32,658	\$ 11,107
Lease liabilities	117,301	29,396	79,128	67,569	35,379
Subscription IT liabilities	<u>89,517</u>	<u>-</u>	<u>21,844</u>	<u>67,673</u>	<u>22,883</u>
Total long-term debt, lease liabilities, and subscription IT liabilities	\$ <u>250,148</u>	\$ <u>29,396</u>	\$ <u>111,644</u>	\$ <u>167,900</u>	\$ <u>69,369</u>
					Amounts Due Within <u>One Year</u>
	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	
Direct borrowing:					
Notes payable	\$ 53,584	\$ -	\$ 10,254	\$ 43,330	\$ 10,672
Lease liabilities	266,348	9,398	158,445	117,301	72,298
Subscription IT liabilities	<u>107,650</u>	<u>-</u>	<u>18,133</u>	<u>89,517</u>	<u>21,844</u>
Total long-term debt, lease liabilities, and subscription IT liabilities	\$ <u>427,582</u>	\$ <u>9,398</u>	\$ <u>186,832</u>	\$ <u>250,148</u>	\$ <u>104,814</u>

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

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

<u>Year Ending September 30</u>	<u>Direct Borrowing</u>		<u>Lease Liabilities</u>		<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 11,107	\$ 1,104	\$ 35,379	\$ 2,634	\$ 22,883	\$ 2,034
2026	11,559	652	10,494	1,354	23,969	1,261
2027	9,992	184	8,820	875	20,821	463
2028	-	-	7,373	463	-	-
2029	<u>-</u>	<u>-</u>	<u>5,503</u>	<u>127</u>	<u>-</u>	<u>-</u>
Total	\$ <u>32,658</u>	\$ <u>1,940</u>	\$ <u>67,569</u>	\$ <u>5,453</u>	\$ <u>67,673</u>	\$ <u>3,758</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

8. Defined Benefit Plan

Pensions. The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

General Information about the Pension Plan

Plan description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 trustees as follows:

- (1) The Governor, ex officio.
- (2) The State Treasurer, ex officio.
- (3) The State Personnel Director, ex officio.
- (4) The State Director of Finance, ex officio.
- (5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- (6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Continued

8. Defined Benefit Plan, Continued***General Information about the Pension Plan, Continued***

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act 2019-132 as of September 30, 2023.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Benefits provided, continued. The ERS serves approximately 884 local participating employers and one state employer. The ERS membership includes approximately 113,079 participants. As of September 30, 2023, membership consisted of:

	<u>Total</u>	<u>Board</u>
Retirees and beneficiaries currently receiving benefits	31,481	28
Terminated employees entitled, to, but not yet receiving benefits	2,350	3
Terminated employees not entitled to a benefit	20,556	18
Active members	58,659	45
Post-DROP participants who are still in active service	<u>33</u>	<u>-</u>
Total	<u>113,079</u>	<u>94</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Contributions, continued. For the years ended September 30, 2024 and 2023, the Board's active employee contribution rate was 7.76% and 7.59% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 1.42% and 0.73% of pensionable payroll, respectively.

Board's contractually required contribution rate for the year ended September 30, 2024, was 1.83% of pensionable pay for Tier 1 employees, and 1.47% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board was approximately \$40,000 and \$19,000 for the years ended September 30, 2024 and 2023, respectively.

Net pension liability. The Board's net pension liability as of September 30, 2024 and 2023 was measured as of September 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability as of September 30, 2024 and 2023, was determined by an actuarial valuation as September 30, 2022 and 2021, rolled forward to September 30, 2023 and 2022, respectively, using standard roll-forward techniques as shown in the following tables:

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) TPL as of September 30, 2022	\$ 8,519,372	\$ 8,539,111	\$ 8,539,111
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry age normal cost for the period October 1, 2022 - September 30, 2023	271,590	271,590	271,590
(d) Transfers among employers	-	(97,483)	(97,483)
(e) Actual benefit payments and refunds for the period October 1, 2022 - September 30, 2023	(503,701)	(503,701)	(503,701)
(f) TPL as of September 30, 2023 = [(a) x (1+b)] + (c) + (d) + [(e) x (1+.05*(b))]	\$ <u>8,903,191</u>	\$ <u>8,826,918</u>	\$ <u>8,826,918</u>
(g) Difference between expected and actual		\$(76,273)	
(h) Less liability transferred for immediate recognition		(97,483)	
(i) Difference between expected and actual - experience (gain) / loss = (g) - (h), September 30, 2023		\$ <u>21,210</u>	
(j) Difference between actual TPL before and after plan changes - benefit change (gain) / loss			\$ <u>-</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Net pension liability, continued.

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) TPL as of September 30, 2021	\$ 7,887,135	\$ 8,282,302	\$ 8,286,558
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry age normal cost for the period October 1, 2021 - September 30, 2022	230,160	230,160	230,367
(d) Transfers among employers	-	(52,557)	(52,557)
(e) Actual benefit payments and refunds for the period October 1, 2021 - September 30, 2022	(542,149)	(542,149)	(542,149)
(f) TPL as of September 30, 2022 = [(a) x (1+b)] + (c) + (d) + [(e) x (1+.05*(b))]	\$ <u>8,142,543</u>	\$ <u>8,514,592</u>	\$ <u>8,519,372</u>
(g) Difference between expected and actual		\$ 372,049	
(h) Less liability transferred for immediate recognition		(52,557)	
(i) Difference between expected and actual - experience (gain) / loss = (g) - (h), September 30, 2022		\$ <u>424,606</u>	
(j) Difference between actual TPL before and after plan changes - benefit change (gain) / loss			\$ <u>4,780</u>

Actuarial assumptions. The total pension liability as of September 30, 2023 and 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022 and 2021, respectively. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected salary increases	3.25% - 6.00%
Investment rate of return*	7.45%

* Net of pension plan investment expense, including inflation.

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Actuarial assumptions, continued.

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages <65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: None	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 - September 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15%	2.8%
U.S. Large Stocks	32%	8.0%
U.S. Mid Stocks	9%	10.0%
U.S. Small Stocks	4%	11.0%
Int'l Developed Mkt Stocks	12%	9.5%
Int'l Emerging Mkt Stocks	3%	11.0%
Alternatives	10%	9.0%
Real Estate	10%	6.5%
Cash	<u>5%</u>	1.5%
Total	<u>100%</u>	

* Includes assumed rate of inflation of 2.00%.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability.

	Total Pension <u>Liability</u> (a)	Plan Fiduciary <u>Net Position</u> (b)	Net Pension <u>Liability</u> (a) - (b)
Balances at September 30, 2021 (measurement date)	\$ <u>7,887,135</u>	\$ <u>9,416,742</u>	\$ <u>(1,529,607)</u>
Changes recognized for the year:			
Service cost	230,160	-	230,160
Interest	567,397	-	567,397
Changes of benefit terms	4,780	-	4,780
Changes of assumptions	-	-	-
Difference between expected and actual experience	424,606	-	424,606
Contributions from the employer	-	118,618	(118,618)
Contributions from the employees	-	199,042	(199,042)
Net investment income	-	(1,186,584)	1,186,584
Benefit payments, including refunds of employee contributions	(542,149)	(542,149)	-
Transfers among employers	(<u>52,557</u>)	(<u>52,557</u>)	<u>-</u>
Net changes	<u>632,237</u>	<u>(1,463,630)</u>	<u>2,095,867</u>
Balances at September 30, 2022 (measurement date)	<u>8,519,372</u>	<u>7,953,112</u>	<u>566,260</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued
September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Changes in net pension liability, continued.

	Total Pension <u>Liability</u> (a)	Plan Fiduciary <u>Net Position</u> (b)	Net Pension <u>Liability</u> (a) - (b)
Changes recognized for the year:			
Service cost	\$ 271,590	\$ -	\$ 271,590
Interest	615,930	-	615,930
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	21,210	-	21,210
Contributions from the employer	-	19,059	(19,059)
Contributions from the employees	-	220,348	(220,348)
Net investment income	-	1,009,024	(1,009,024)
Benefit payments, including refunds of employee contributions	(503,701)	(503,701)	-
Transfers among employers	(97,483)	(97,483)	-
Net changes	<u>307,546</u>	<u>647,247</u>	<u>(339,701)</u>
Balances at September 30, 2023 (measurement date)	\$ <u>8,826,918</u>	\$ <u>8,600,359</u>	\$ <u>226,559</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the Board's net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	As of September 30, 2024		
	1% Decrease <u>6.45%</u>	Current Rate <u>7.45%</u>	1% Increase <u>8.45%</u>
Net pension liability (asset)	\$ <u>1,189,268</u>	\$ <u>226,559</u>	\$ <u>(593,020)</u>
	As of September 30, 2023		
	1% Decrease <u>6.45%</u>	Current Rate <u>7.45%</u>	1% Increase <u>8.45%</u>
Net pension liability (asset)	\$ <u>1,490,630</u>	\$ <u>566,260</u>	\$ <u>(219,743)</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

8. Defined Benefit Plan, Continued

General Information about the Pension Plan, Continued

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2023. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the years ended September 30, 2024 and 2023, the Board recognized pension expense (income) of approximately \$163,000 and \$(41,000), respectively. At September 30, 2024 and 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	2024		2023	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 255,708	\$ 419,966	\$ 454,964	\$ 810,763
Change in assumptions	82,912	-	152,814	-
Net differences between projected and actual earnings on plan investments	359,917	-	965,192	-
Employer contributions subsequent to the measurement date	<u>35,414</u>	<u>-</u>	<u>29,929</u>	<u>-</u>
Total	\$ <u>733,951</u>	\$ <u>419,966</u>	\$ <u>1,602,899</u>	\$ <u>810,763</u>

Employer contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the following year.

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

<u>Year Ending September 30</u>	(Increase) Decrease <u>to Expense</u>
2025	\$ 56,057
2026	(115,402)
2027	(305,223)
2028	<u>85,997</u>
Total	\$ <u>(278,571)</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

9. Medicaid Subsidies

In addition to receiving payments from Medicaid for services to hospital patients, the Board also receives disproportionate share payments and access payments from Medicaid. The net funds received by the Board amounted to approximately \$683,000 and \$673,000 for the years ended September 30, 2024 and 2023, respectively, and are included in the accompanying consolidated financial statements as net patient service revenue.

10. Employee Health Insurance

The Board purchased health insurance coverage for employees under which monthly premiums are paid to Blue Cross Blue Shield. Blue Cross Blue Shield is then responsible for payment of all claims. Total expenses relative to these plans were approximately \$305,000 and \$215,000 for the years ended September 30, 2024 and 2023, respectively.

11. Malpractice Insurance

The Board is covered by a claims made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2024 and 2023 are \$1 million per occurrence and \$3 million in aggregate.

The Board uses a third-party administrator to review and analyze incidents that may result in a claim against the Board. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The Board also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims.

Various claims and assertions have been made against the Board 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 considered for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

12. 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 Board has not contracted with an outside firm for an external evaluation of the potential impact of such compliance issues. There can be no assurance that the Board will not be subjected to future investigations with accompanying monetary damages. However, based on an internal evaluation, management believes that the ultimate liability resulting from potential noncompliance will not have a material adverse effect on the consolidated financial statements.

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WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

12. Commitments and Contingencies, Continued

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 Board.

Litigation. The Board is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Board's future financial position or results from operations. See malpractice insurance disclosures in Note 11.

13. Concentrations of Credit Risk

The Board grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	32%	24%
Medicaid	14%	20%
Other third-party payors	7%	6%
Self-pay	<u>47%</u>	<u>50%</u>
Total	<u>100%</u>	<u>100%</u>

14. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed the production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Board's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and the impact on the Board's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Board's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

14. Coronavirus (COVID-19), Continued

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. On March 11, 2021, the *American Rescue Plan Act* (ARP) was passed. This Act provides additional funding to replenish and supplement key programs, including funds to hospitals and other providers that serve patients living in rural areas. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the consolidated statements of revenues, expenses and changes in net position. The Board received approximately \$2,472,000 and recognized approximately \$1,183,000 in grant stimulus funding in fiscal year 2020. The Board recognized approximately \$1,186,000 in grant stimulus funding in fiscal year 2021. The Board received approximately \$221,000 and recognized approximately \$694,000 in grant stimulus funding in fiscal year 2022. The Board received approximately \$114,000 and recognized approximately \$294,000 in grant stimulus funding in fiscal year 2023. The Board received approximately \$75,000 and recognized approximately \$82,000 in grant stimulus funding in fiscal year 2024.

CARES and ARP Act funding may be subject to audits. While the Board currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

15. Leases

Intangible right-to-use lease assets and lease liabilities as of September 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Intangible right-to-use lease assets, net	\$ <u>49,517</u>	\$ <u>54,885</u>
Lease liabilities:		
Current maturities	\$ 35,379	\$ 72,298
Long-term	<u>32,190</u>	<u>45,003</u>
Total	\$ <u>67,569</u>	\$ <u>117,301</u>

Continued

WILCOX HOSPITAL BOARD

Notes to Consolidated Financial Statements, Continued September 30, 2024 and 2023

15. Leases, Continued

Expenses for the leasing activity of the Board as the lessee for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Short-term lease expense	\$ 6,039	\$ 6,825
Right-to-use lease asset amortization	35,327	113,181
Lease liability interest expense	<u>1,862</u>	<u>5,777</u>
Total lease cost	\$ <u>43,228</u>	\$ <u>125,783</u>

16. Subscription-Based Information Technology Arrangements

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

Intangible right-to-use subscription IT assets and subscription IT liabilities as of September 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Intangible right-to-use subscription IT assets, net	\$ <u>65,050</u>	\$ <u>86,786</u>
Subscription IT liabilities:		
Current maturities	\$ 22,883	\$ 21,844
Long-term	<u>44,790</u>	<u>67,673</u>
Total	\$ <u>67,673</u>	\$ <u>89,517</u>

Expenses for the SBITA activity of the Board for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Right-to-use subscription IT asset amortization	\$ 21,736	\$ 21,736
Subscription IT liability interest expense	<u>2,616</u>	<u>3,286</u>
Total subscription IT cost	\$ <u>24,352</u>	\$ <u>25,022</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.

REQUIRED SUPPLEMENTARY INFORMATION

WILCOX HOSPITAL BOARD

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability:					
Service cost	\$ 271,590	\$ 230,160	\$ 186,311	\$ 185,165	\$ 194,827
Interest cost	615,930	567,397	647,854	597,253	608,778
Changes of benefit terms	-	4,780	80,297	-	-
Differences between expected and actual experiences	21,210	424,606	(1,469,876)	468,723	(272,619)
Changes of assumptions	-	-	290,191	-	-
Benefits payments, including refunds of employee contributions	(503,701)	(542,149)	(480,011)	(873,265)	(351,831)
Transfers among employers	(97,483)	(52,557)	(21,331)	82,661	(68,120)
Net change in total pension liability (asset)	307,546	632,237	(766,565)	460,537	111,035
Total pension liability (beginning)	<u>8,519,372</u>	<u>7,887,135</u>	<u>8,653,700</u>	<u>8,193,163</u>	<u>8,082,128</u>
Total pension liability (ending)	<u>8,826,918</u>	<u>8,519,372</u>	<u>7,887,135</u>	<u>8,653,700</u>	<u>8,193,163</u>
Plan fiduciary net position:					
Contributions - employer	19,059	118,618	64,886	60,927	72,779
Contributions - employees	220,348	199,042	159,719	182,698	148,736
Net investment income	1,009,024	(1,186,584)	1,736,290	444,900	204,250
Benefit payments, including refunds of employee contributions	(503,701)	(542,149)	(480,011)	(873,265)	(351,831)
Transfers among employers	(97,483)	(52,557)	(21,331)	82,661	(68,120)
Net change in plan fiduciary net position	647,247	(1,463,630)	1,459,553	(102,079)	5,814
Plan fiduciary net position (beginning)	<u>7,953,112</u>	<u>9,416,742</u>	<u>7,957,189</u>	<u>8,059,268</u>	<u>8,053,454</u>
Plan fiduciary net position (ending)	<u>8,600,359</u>	<u>7,953,112</u>	<u>9,416,742</u>	<u>7,957,189</u>	<u>8,059,268</u>
Net pension liability (asset) (ending)	\$ <u>226,559</u>	\$ <u>566,260</u>	\$ <u>(1,529,607)</u>	\$ <u>696,511</u>	\$ <u>133,895</u>
Net position as a percentage of pension liability	<u>97.43%</u>	<u>93.35%</u>	<u>119.39%</u>	<u>91.95%</u>	<u>98.37%</u>
Covered payroll *	\$ <u>2,839,136</u>	\$ <u>2,624,005</u>	\$ <u>2,193,704</u>	\$ <u>2,127,955</u>	\$ <u>2,171,889</u>
Net pension liability (asset) as a percentage of payroll	<u>7.98%</u>	<u>21.58%</u>	<u>(69.73)%</u>	<u>32.73%</u>	<u>6.16%</u>

* Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2024, the measurement period is October 1, 2022 - September 30, 2023.

Continued

WILCOX HOSPITAL BOARD

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS, Continued
September 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 213,484	\$ 220,268	\$ 209,924	\$ 208,384	\$ 185,798
Interest cost	596,477	578,409	543,350	515,591	486,992
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experiences	(268,718)	(206,400)	92,434	(97,756)	-
Changes of assumptions	41,179	-	129,773	-	-
Benefits payments, including refunds of employee contributions	(316,719)	(321,457)	(286,561)	(271,902)	(358,710)
Transfers among employers	(38,410)	(40,059)	-	-	-
Net change in total pension liability	227,293	230,761	688,920	354,317	314,080
Total pension liability (beginning)	<u>7,854,835</u>	<u>7,624,074</u>	<u>6,935,154</u>	<u>6,580,837</u>	<u>6,266,757</u>
Total pension liability (ending)	<u>8,082,128</u>	<u>7,854,835</u>	<u>7,624,074</u>	<u>6,935,154</u>	<u>6,580,837</u>
Plan fiduciary net position:					
Contributions - employer	101,932	120,677	144,991	119,348	109,332
Contributions - employees	165,501	181,305	179,410	190,014	152,945
Net investment income	685,904	849,603	614,302	70,282	637,809
Benefit payments, including refunds of employee contributions	(316,719)	(321,457)	(286,561)	(271,902)	(358,710)
Transfers among employers	(38,410)	(40,059)	-	-	-
Net change in plan fiduciary net position	598,208	790,069	652,142	107,742	541,376
Plan fiduciary net position (beginning)	<u>7,455,246</u>	<u>6,665,177</u>	<u>6,013,035</u>	<u>5,905,293</u>	<u>5,363,917</u>
Plan fiduciary net position (ending)	<u>8,053,454</u>	<u>7,455,246</u>	<u>6,665,177</u>	<u>6,013,035</u>	<u>5,905,293</u>
Net pension liability (asset) (ending)	\$ <u>28,674</u>	\$ <u>399,589</u>	\$ <u>958,897</u>	\$ <u>922,119</u>	\$ <u>675,544</u>
Net position as a percentage of pension liability	<u>99.65%</u>	<u>94.91%</u>	<u>87.42%</u>	<u>86.70%</u>	<u>89.73%</u>
Covered payroll *	\$ <u>2,524,443</u>	\$ <u>2,633,380</u>	\$ <u>2,309,690</u>	\$ <u>2,255,484</u>	\$ <u>2,039,428</u>
Net pension liability as a percentage of payroll	<u>1.14%</u>	<u>15.17%</u>	<u>41.52%</u>	<u>40.88%</u>	<u>33.12%</u>

See independent auditor's report.

WILCOX HOSPITAL BOARD

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS September 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution*	\$ 40,434	\$ 19,059	\$ 118,618	\$ 64,886	\$ 60,927
Contributions made in relation to the actuarially determined contribution *	<u>40,434</u>	<u>19,059</u>	<u>118,618</u>	<u>64,886</u>	<u>60,927</u>
Contribution deficiency	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll**	\$ <u>2,839,136</u>	\$ <u>2,624,005</u>	\$ <u>2,193,704</u>	\$ <u>2,124,755</u>	\$ <u>2,127,955</u>
Contributions as a percentage of covered payroll	<u>1.42%</u>	<u>0.73%</u>	<u>5.41%</u>	<u>3.05%</u>	<u>2.86%</u>

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments: The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

** Employer's covered payroll for fiscal year 2024 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2023 to September 30, 2024:

- Actuarial cost method: Entry age
- Amortization method: Level percent closed
- Remaining amortization period: 30 years
- Asset valuation method: Five-year smoothed market
- Inflation: 2.50%
- Salary increases: 3.25% - 6.00% including inflation
- Investment rate of return: 7.45%, net of pension plan investment expense, including inflation.

Continued

WILCOX HOSPITAL BOARD

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS, Continued
September 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution*	\$ 72,779	\$ 101,932	\$ 120,677	\$ 144,991	\$ 119,348
Contributions made in relation to the actuarially determined contribution *	<u>72,779</u>	<u>101,932</u>	<u>120,677</u>	<u>144,991</u>	<u>119,348</u>
Contribution deficiency	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll**	\$ <u>2,171,889</u>	\$ <u>2,524,443</u>	\$ <u>2,633,380</u>	\$ <u>2,309,690</u>	\$ <u>2,255,484</u>
Contributions as a percentage of covered payroll	<u>3.35%</u>	<u>4.04%</u>	<u>4.58%</u>	<u>6.28%</u>	<u>5.29%</u>

See independent auditor's report.

CONSOLIDATING INFORMATION

WILCOX HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET
September 30, 2024

	September 30, 2024				
	<u>Hospital</u>	<u>Board</u>	<u>EMS</u>	<u>EJEs</u>	<u>Total Board</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
<i>Current assets:</i>					
Cash and cash equivalents	\$ 506,048	\$ 113,003	\$ 23,679	\$ -	\$ 642,730
Patient accounts receivable, net	507,000	-	64,596	-	571,596
Estimated third-party payor settlements	62,680	-	-	-	62,680
Supplies	141,351	-	-	-	141,351
Other current assets	779,086	6,659	23,445	-	809,190
Due from related parties	<u>-</u>	<u>191,271</u>	<u>-</u>	<u>(191,271)</u>	<u>-</u>
Total current assets	<u>1,996,165</u>	<u>310,933</u>	<u>111,720</u>	<u>(191,271)</u>	<u>2,227,547</u>
<i>Capital assets:</i>					
Non-depreciable	796,436	70,960	-	-	867,396
Depreciable, net	1,437,389	441,157	185,016	-	2,063,562
Intangible right-to-use lease assets, net	49,517	-	-	-	49,517
Intangible right-to-use subscription IT assets, net	<u>65,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,050</u>
Total capital assets, net	<u>2,348,392</u>	<u>512,117</u>	<u>185,016</u>	<u>-</u>	<u>3,045,525</u>
Total assets	<u>4,344,557</u>	<u>823,050</u>	<u>296,736</u>	<u>(191,271)</u>	<u>5,273,072</u>
<i>Deferred outflows of resources:</i>					
Deferred pension outflows	<u>733,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733,951</u>
Total assets and deferred outflows of resources	\$ <u>5,078,508</u>	\$ <u>823,050</u>	\$ <u>296,736</u>	\$ <u>(191,271)</u>	\$ <u>6,007,023</u>

Continued

WILCOX HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2024

	September 30, 2024				
	<u>Hospital</u>	<u>Board</u>	<u>EMS</u>	<u>EJEs</u>	<u>Total Board</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
<i>Current liabilities:</i>					
Current maturities of long-term debt and lease liabilities	\$ 46,486	\$ -	\$ -	\$ -	\$ 46,486
Current maturities of subscription IT liabilities	22,883	-	-	-	22,883
Accounts payable	86,247	7,793	6,572	-	100,612
Accrued expenses	276,768	-	12,688	-	289,456
CARES and ARP Act unearned revenue	283,961	-	-	-	283,961
Due to related parties	<u>185,000</u>	<u>-</u>	<u>19,013</u>	<u>(204,013)</u>	<u>-</u>
Total current liabilities	<u>901,345</u>	<u>7,793</u>	<u>38,273</u>	<u>(204,013)</u>	<u>743,398</u>
<i>Long-term liabilities:</i>					
Long-term debt and lease liabilities, net of current maturities	53,741	-	-	-	53,741
Subscription IT liabilities, net of current maturities	44,790	-	-	-	44,790
Net pension liability	<u>226,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,559</u>
Total long-term liabilities	<u>325,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,090</u>
Total liabilities	<u>1,226,435</u>	<u>7,793</u>	<u>38,273</u>	<u>(204,013)</u>	<u>1,068,488</u>
<i>Deferred inflows of resources:</i>					
Deferred property tax revenue	647,904	-	-	-	647,904
Deferred pension inflows	<u>419,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,966</u>
Total deferred inflows of resources	<u>1,067,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,870</u>
Total liabilities and deferred inflows of resources	<u>2,294,305</u>	<u>7,793</u>	<u>38,273</u>	<u>(204,013)</u>	<u>2,136,358</u>
<i>Net position:</i>					
Net investment in capital assets	2,213,150	512,117	185,016	-	2,910,283
Unrestricted	<u>571,053</u>	<u>303,140</u>	<u>73,447</u>	<u>12,742</u>	<u>960,382</u>
Total net position	<u>2,784,203</u>	<u>815,257</u>	<u>258,463</u>	<u>12,742</u>	<u>3,870,665</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>5,078,508</u>	\$ <u>823,050</u>	\$ <u>296,736</u>	\$ <u>(191,271)</u>	\$ <u>6,007,023</u>

See independent auditor's report.

WILCOX HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET
September 30, 2023

	September 30, 2023				
	<u>Hospital</u>	<u>Board</u>	<u>EMS</u>	<u>EJEs</u>	<u>Total Board</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
<i>Current assets:</i>					
Cash and cash equivalents	\$ 727,890	\$ 167,907	\$ 9,175	\$ -	\$ 904,972
Short-term investments	1,200,000	-	-	-	1,200,000
Patient accounts receivable, net	383,291	-	105,154	-	488,445
Estimated third-party payor settlements	47,294	-	-	-	47,294
Supplies	146,732	-	-	-	146,732
Other current assets	657,808	6,213	14,705	-	678,726
Due from related parties	(185,000)	185,000	2,394	(2,394)	-
Total current assets	<u>2,978,015</u>	<u>359,120</u>	<u>131,428</u>	<u>(2,394)</u>	<u>3,466,169</u>
<i>Capital assets:</i>					
Non-depreciable	125,925	80,871	-	-	206,796
Depreciable, net	1,542,277	401,796	262,178	-	2,206,251
Intangible right-to-use lease assets, net	54,885	-	-	-	54,885
Intangible right-to-use subscription IT assets, net	<u>86,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,786</u>
Total capital assets, net	<u>1,809,873</u>	<u>482,667</u>	<u>262,178</u>	<u>-</u>	<u>2,554,718</u>
Total assets	<u>4,787,888</u>	<u>841,787</u>	<u>393,606</u>	<u>(2,394)</u>	<u>6,020,887</u>
<i>Deferred outflows of resources:</i>					
Deferred pension outflows	<u>1,602,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,602,899</u>
Total assets and deferred outflows of resources	<u>\$ 6,390,787</u>	<u>\$ 841,787</u>	<u>\$ 393,606</u>	<u>\$ (2,394)</u>	<u>\$ 7,623,786</u>

Continued

WILCOX HOSPITAL BOARD

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2023

	September 30, 2023				
	<u>Hospital</u>	<u>Board</u>	<u>EMS</u>	<u>EJEs</u>	<u>Total Board</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
<i>Current liabilities:</i>					
Current maturities of long-term debt and lease liabilities	\$ 82,970	\$ -	\$ -	\$ -	\$ 82,970
Current maturities of subscription IT liabilities	21,844	-	-	-	21,844
Accounts payable	67,774	2,014	4,305	-	74,093
Accrued expenses	256,759	-	12,124	-	268,883
CARES and ARP Act unearned revenue	<u>283,961</u>	<u>-</u>	<u>6,826</u>	<u>-</u>	<u>290,787</u>
Total current liabilities	<u>713,308</u>	<u>2,014</u>	<u>23,255</u>	<u>-</u>	<u>738,577</u>
<i>Long-term liabilities:</i>					
Long-term debt and lease liabilities, net of current maturities	77,661	-	-	-	77,661
Subscription IT liabilities, net of current maturities	67,673	-	-	-	67,673
Net pension liability	<u>566,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>566,260</u>
Total long-term liabilities	<u>711,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>711,594</u>
Total liabilities	<u>1,424,902</u>	<u>2,014</u>	<u>23,255</u>	<u>-</u>	<u>1,450,171</u>
<i>Deferred inflows of resources:</i>					
Deferred property tax revenue	592,082	-	-	-	592,082
Deferred pension inflows	<u>810,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,763</u>
Total deferred inflows of resources	<u>1,402,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,402,845</u>
Total liabilities and deferred inflows of resources	<u>2,827,747</u>	<u>2,014</u>	<u>23,255</u>	<u>-</u>	<u>2,853,016</u>
<i>Net position:</i>					
Net investment in capital assets	1,603,055	482,667	262,178	-	2,347,900
Unrestricted	<u>1,959,985</u>	<u>357,106</u>	<u>108,173</u>	<u>(2,394)</u>	<u>2,422,870</u>
Total net position	<u>3,563,040</u>	<u>839,773</u>	<u>370,351</u>	<u>(2,394)</u>	<u>4,770,770</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>6,390,787</u>	\$ <u>841,787</u>	\$ <u>393,606</u>	\$ <u>(2,394)</u>	\$ <u>7,623,786</u>

See independent auditor's report.

WILCOX HOSPITAL BOARD
CONSOLIDATING INCOME STATEMENT
September 30, 2024

	September 30, 2024				
	<u>Hospital</u>	<u>Board</u>	<u>EMS</u>	<u>EJEs</u>	<u>Total Board</u>
<i>Operating revenues:</i>					
Net patient service revenue (net of provision for bad debts of \$920,000 in 2024)	\$ 3,612,345	\$ -	\$ 409,262	\$ -	\$ 4,021,607
Other revenue	<u>188,826</u>	<u>85,339</u>	<u>610</u>	<u>-</u>	<u>274,775</u>
Total operating revenues	<u>3,801,171</u>	<u>85,339</u>	<u>409,872</u>	<u>-</u>	<u>4,296,382</u>
<i>Operating expenses:</i>					
Salaries and wages	3,187,858	-	320,837	-	3,508,695
Employee benefits	660,495	-	66,198	-	726,693
Purchased services	1,541,119	2,400	12,000	-	1,555,519
Supplies	465,894	-	132	-	466,026
Depreciation and amortization	278,590	29,832	77,163	-	385,585
Other expenses	<u>917,951</u>	<u>77,623</u>	<u>106,256</u>	<u>(69,136)</u>	<u>1,032,694</u>
Total operating expenses	<u>7,051,907</u>	<u>109,855</u>	<u>582,586</u>	<u>(69,136)</u>	<u>7,675,212</u>
Operating income (loss)	<u>(3,250,736)</u>	<u>(24,516)</u>	<u>(172,714)</u>	<u>69,136</u>	<u>(3,378,830)</u>
<i>Nonoperating revenues (expenses):</i>					
Noncapital grants and contributions	1,023,172	-	2,000	(2,000)	1,023,172
Tax revenues	1,351,463	-	-	-	1,351,463
Other nonoperating revenues	34,596	-	52,000	(52,000)	34,596
CARES and ARP Act funding	75,000	-	6,826	-	81,826
Interest expense	<u>(12,332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,332)</u>
Total nonoperating revenues (expenses)	<u>2,471,899</u>	<u>-</u>	<u>60,826</u>	<u>(54,000)</u>	<u>2,478,725</u>
Excess revenues (expenses)	<u>(778,837)</u>	<u>(24,516)</u>	<u>(111,888)</u>	<u>15,136</u>	<u>(900,105)</u>
Net position, beginning of year	<u>3,563,040</u>	<u>839,773</u>	<u>370,351</u>	<u>(2,394)</u>	<u>4,770,770</u>
Net position, end of year	<u>\$ 2,784,203</u>	<u>\$ 815,257</u>	<u>\$ 258,463</u>	<u>\$ 12,742</u>	<u>\$ 3,870,665</u>

See independent auditor's report.

WILCOX HOSPITAL BOARD
CONSOLIDATING INCOME STATEMENT
September 30, 2023

	September 30, 2023				
	<u>Hospital</u>	<u>Board</u>	<u>EMS</u>	<u>EJEs</u>	<u>Total Board</u>
<i>Operating revenues:</i>					
Net patient service revenue (net of provision for bad debts of \$970,000 in 2023)	\$ 3,568,377	\$ -	\$ 466,706	\$ -	\$ 4,035,083
Other revenue	<u>357,452</u>	<u>96,988</u>	<u>-</u>	<u>-</u>	<u>454,440</u>
Total operating revenues	<u>3,925,829</u>	<u>96,988</u>	<u>466,706</u>	<u>-</u>	<u>4,489,523</u>
<i>Operating expenses:</i>					
Salaries and wages	3,050,751	-	327,207	-	3,377,958
Employee benefits	389,529	-	59,781	-	449,310
Purchased services	1,427,731	1,200	13,000	-	1,441,931
Supplies	416,303	-	1,999	-	418,302
Depreciation and amortization	355,912	27,968	58,919	-	442,799
Other expenses	<u>682,659</u>	<u>47,392</u>	<u>145,207</u>	<u>(67,606)</u>	<u>807,652</u>
Total operating expenses	<u>6,322,885</u>	<u>76,560</u>	<u>606,113</u>	<u>(67,606)</u>	<u>6,937,952</u>
Operating income (loss)	<u>(2,397,056)</u>	<u>20,428</u>	<u>(139,407)</u>	<u>67,606</u>	<u>(2,448,429)</u>
<i>Nonoperating revenues (expenses):</i>					
Noncapital grants and contributions	77,863	-	264,171	-	342,034
Tax revenues	1,382,513	-	-	-	1,382,513
Other nonoperating revenues	40,599	30,479	70,677	(70,000)	71,755
CARES and ARP Act funding	294,356	-	-	-	294,356
Interest expense	<u>(18,133)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,133)</u>
Total nonoperating revenues (expenses)	<u>1,777,198</u>	<u>30,479</u>	<u>334,848</u>	<u>(70,000)</u>	<u>2,072,525</u>
Excess revenues (expenses)	(619,858)	50,907	195,441	(2,394)	(375,904)
Net position, beginning of year	<u>4,182,898</u>	<u>788,866</u>	<u>174,910</u>	<u>-</u>	<u>5,146,674</u>
Net position, end of year	\$ <u>3,563,040</u>	\$ <u>839,773</u>	\$ <u>370,351</u>	\$ <u>(2,394)</u>	\$ <u>4,770,770</u>

See independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors
Wilcox Hospital Board
Camden, Alabama

We have audited the consolidated financial statements of the business-type activities of Wilcox Hospital Board as of and for the years ended September 30, 2024 and 2023, and our report thereon dated November 4, 2025, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 through 4. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in this report on page 53, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

DRAFFIN + TUCKER, LLP

Albany, Georgia
November 4, 2025

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WILCOX HOSPITAL BOARD

MEMBERS OF THE BOARD OF DIRECTORS (UNAUDITED)
September 30, 2024

<u>Name and Address</u>	<u>Position</u>	<u>Expiration of Term</u>
Dr. Sumpter D. Blackmon	Chairman	February 2028
Sheriff Prince Arnold	Member	April 2028
Mr. George F. Alford, III	Secretary/Treasurer	January 2026
Mr. Ralph Ervin	Member	June 2026
Dr. William R. Phillippi, Jr.	Member	February 2028
Ms. Elizabeth Kennedy	Member	July 2025
Mr. Dawson Smith	Member	March 2026
Mr. A. L. Johnson, III	Member	April 2026
Ms. Patricia Pritchett	Member	August 2027
Mr. André' Saulsberry	Member	August 2027
Ms. Jo Celeste Pettway	Member	March 2026

See independent auditor's report on supplemental information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Wilcox Hospital Board
Camden, Alabama

We have audited, in accordance with the 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, the consolidated financial statements of the business-type activities as of and for the year ended September 30, 2024 and the discretely presented component unit of Wilcox Hospital Board (Board) as of and for the year ended December 31, 2024, and the related notes to the consolidated financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 4, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Continued

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2024-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wilcox Hospital Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFFIN + TUCKER, LLP

Albany, Georgia
November 4, 2025

WILCOX HOSPITAL BOARD

SCHEDULE OF FINDINGS AND RESPONSES

September 30, 2024

(Finding reported in prior year still applicable to fiscal year 2024.)

Material Weakness 2024-001

<i>Condition:</i>	There is a lack of segregation of duties in various processes including the financial reporting, cash, payroll, debt, accounts payable, and journal entry functions.
<i>Criteria:</i>	To ensure appropriate reporting and physical safeguard of assets, certain responsibilities such as authorization, recordkeeping, and custody should be appropriately segregated. In situations where all three elements cannot be adequately segregated, a robust review process should be implemented.
<i>Cause:</i>	Due to the nature of operations, there are not enough personnel to adequately staff all functions creating the need for key personnel to perform tasks outside their normal duties.
<i>Effect:</i>	While no specific misstatements were noted due to segregation issues, the potential for misappropriation exists when appropriate safeguards are not in place.
<i>Recommendation:</i>	It is recommended that a review process of system access be performed to determine which access is necessary to carry out day-to-day activities and limiting access, where possible. Further, it is recommended that an additional review process be implemented at the CEO or board level for areas where segregation is not possible.
<i>Views of responsible officials and planned corrective actions:</i>	Due to staffing constraints, the Board is not able to separate all duties. It is the policy of the Board to ensure appropriate reporting and physical safeguard of assets, and responsibilities segregated where appropriate.

Continued

WILCOX HOSPITAL BOARD

SCHEDULE OF FINDINGS AND RESPONSES, Continued
September 30, 2024

Significant Deficiency 2024-002

<i>Condition:</i>	Insufficient supporting documentation of the Board's annual Security Risk Assessment (SRA) utilizing a commonly accepted framework with details on controls testing as well as a resulting risk mitigation plan.
<i>Criteria:</i>	A comprehensive SRA should be based on a commonly accepted framework and must include documented procedures and results evaluating the effectiveness of security controls.
<i>Cause:</i>	Due to the nature of the SRA there are not enough personnel to adequately perform a comprehensive SRA based on a commonly accepted framework.
<i>Effect:</i>	The absence of a SRA based on a commonly accepted framework could put the Board at a risk of security intrusion.
<i>Recommendation:</i>	It is recommended that the Board perform and document an annual SRA based on a commonly accepted framework that include procedures on details of control testing as well as implementing a risk mitigation plan.
<i>Views of responsible officials and planned corrective actions:</i>	The Board will work towards implementing a process to ensure an annual SRA is completed as well as implementing a risk mitigation plan.