



Financial Statements
June 30, 2019 and 2018

The Beaver County Hospital Authority

The Beaver County Hospital Authority

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June 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

Report on the Financial Statements

We have audited the accompanying statements of net position of The Beaver County Hospital Authority (the Authority), as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Beaver County Hospital Authority as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 12 to the financial statements, an overstatement of amounts previously reported for short-term investments and understatement of amounts reported in noncurrent investments as of June 30, 2018, were discovered by management of the Authority during the current year. Accordingly, amounts reported for short-term investments and noncurrent investments have been restated in the 2018 financial statements now presented. The correction of the error did not require an adjustment to net position as of June 30, 2018. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the required supplementary information on pages 34 and 35 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
December 16, 2019

Introduction

Our discussion and analysis for The Beaver County Hospital Authority (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2019, 2018 and 2017. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Current assets decreased in 2019 by \$1,632,052 or 42% and decreased in 2018 by \$582,847 or 13%.
- Deferred outflows of resources decreased in 2019 by \$190,893 or 22% and increased in 2018 by \$9,754 or 1%.
- Current liabilities decreased in 2019 by \$537,899 or 40% and increased in 2018 by \$474,869 or 55%.
- Net pension and other postemployment benefits (OPEB) obligations decreased in 2019 by \$460,252 or 63% and decreased in 2018 by \$170,040 or 19%.
- The Authority's net position increased in 2019 by \$192,748 or 4% and decreased in 2018 by \$127,839 or 3%.
- The Authority reported an operating loss in 2019 of \$801,058, an operating loss in 2018 of \$1,189,155, and an operating loss in 2017 of \$990,848. During 2019, the operating loss decreased by \$388,097 or 33% and the operating loss increased by \$198,307 or 20% during 2018.
- Salaries, wages, and employee benefits decreased by \$241,380 or 5% in 2019, and increased by \$29,546 or 1% in 2018.

Using This Annual Report

The Authority's financial statements consist of three statements – Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. These financial statements and related notes provide information about activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position - the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

The Authority's Net Position

The Authority's net position is the difference between its assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the Statement of Net Position. The Authority's net position increased by \$192,748 or 4% in 2019 and decreased by \$127,839 or 3% in 2018 as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current assets	\$ 2,287,194	\$ 3,919,246	\$ 4,502,093
Capital assets, net of accumulated depreciation	865,335	874,021	1,129,698
Other assets	<u>2,063,231</u>	<u>1,005,052</u>	<u>-</u>
Total assets	5,215,760	5,798,319	5,631,791
Deferred Outflows of Resources			
	<u>665,367</u>	<u>856,260</u>	<u>846,506</u>
Total assets and deferred outflows of resources	<u>\$ 5,881,127</u>	<u>\$ 6,654,579</u>	<u>\$ 6,478,297</u>
Liabilities			
Current liabilities	\$ 795,834	\$ 1,333,733	\$ 858,864
Net pension and OPEB obligations	<u>273,499</u>	<u>733,751</u>	<u>903,791</u>
Total liabilities	<u>1,069,333</u>	<u>2,067,484</u>	<u>1,762,655</u>
Deferred Inflows of Resources			
	<u>223,131</u>	<u>191,180</u>	<u>191,888</u>
Net Position			
Net investment in capital assets	865,335	874,021	1,112,709
Restricted:			
Expendable for capital acquisitions	3,541	3,506	3,471
Expendable for specific operating activities	493,276	356,793	287,976
Unrestricted	<u>3,226,511</u>	<u>3,161,595</u>	<u>3,119,598</u>
Total net position	<u>4,588,663</u>	<u>4,395,915</u>	<u>4,523,754</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,881,127</u>	<u>\$ 6,654,579</u>	<u>\$ 6,478,297</u>

A significant component of the change in the Authority's assets, liabilities, and net position are as follows:

- Current assets decreased \$1,632,052 or 42% in 2019 and increased \$582,847 or 13% in 2018.
- Cash and cash equivalents decreased \$1,249,685 or 65% in 2019 due to the purchase of \$1,039,983 of investments and decreased \$823,186 or 30% in 2018 due to a purchase of \$1,006,081 of investments.
- Patient and resident receivables decreased \$299,460 or 29% in 2019 and increased \$257,151 or 33% in 2018 due to changes in services provided during June.
- Noncurrent investments increased \$1,039,983 or 10% in 2019 and increased \$1,005,052 or 100% in 2018.

- Current liabilities decreased \$537,899 or 40% in 2019 and increased \$474,869 or 55% in 2018. In 2019, the Authority has a receivable of \$233,375 from the Medicare program for estimated third-party settlements. In 2018, the Authority owed the Medicare program \$537,657 for estimated third-party settlements.

Table 2: Operating Results and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues			
Net patient service revenue	\$ 5,744,341	\$ 5,897,210	\$ 6,051,131
Community pharmacy revenue	1,519,443	1,512,700	1,827,448
Other operating revenue	157,377	140,076	219,735
	<u>7,421,161</u>	<u>7,549,986</u>	<u>8,098,314</u>
Total operating revenue			
Operating Expenses			
Salaries, wages, and employee benefits	4,519,084	4,760,464	4,730,918
Purchased services and professional fees	1,003,447	851,271	804,355
Supplies and other	2,480,215	2,826,456	3,204,524
Depreciation	219,473	300,950	349,365
	<u>8,222,219</u>	<u>8,739,141</u>	<u>9,089,162</u>
Total operating expenses			
Operating Loss	<u>(801,058)</u>	<u>(1,189,155)</u>	<u>(990,848)</u>
Nonoperating Revenues (Expenses)			
County appropriations - unrestricted	384,240	359,268	411,248
County appropriations - restricted	471,493	505,824	355,025
Investment income	62,530	35,673	18,431
Noncapital grants and contributions	75,543	160,727	116,309
Interest expense	-	(176)	(1,239)
	<u>993,806</u>	<u>1,061,316</u>	<u>899,774</u>
Nonoperating revenues, net			
Change in Net Position	<u>\$ 192,748</u>	<u>\$ (127,839)</u>	<u>\$ (91,074)</u>

Operating Results

The first component of the overall change in the Authority's net position is its operating results. Generally, the operating income or loss is the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Authority had operating losses in 2019, 2018, and 2017.

The operating loss for 2019 decreased by \$388,097 or 33% as compared to the increase of \$198,307 or 20% in 2018. The primary components of the increases in operating loss are:

- A decrease in patient and resident revenue, net of uncollectible accounts, of \$152,869 or 3% in 2019 and a decrease of \$153,921 or 3% in 2018. In 2019 and 2018, the decrease is due to the provision for bad debts.
- A decrease in salaries, wages and employee benefits of \$241,380 or 5% in 2019 and \$29,546 of 1% in 2018. The increases are due to an increase in employee benefits.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of county appropriations and noncapital grants and contributions. The county appropriations decreased by \$9,359 or 1% in 2019 and increased \$98,819 or 13% in 2018. Noncapital grants and contributions decreased by \$85,184 or 53% in 2019 and \$44,418 or 38% in 2018.

The Authority's Cash Flows

The Authority's overall liquidity decreased during the year with a net decrease to cash and cash equivalents, of \$1,249,685 or 65% when compared with 2018 and decreased \$823,186 or 30% during 2018 when compared to 2017. Cash flows used for operating activities increased by \$561,917 or 81% during 2019 when compared with 2018 and increased by \$354,748 during 2018 when compared with 2017. Cash from non-capital financing activities increased by \$40,275 compared with 2018 and increased by \$9,587 during 2018 when compared with 2017. Cash used for capital and capital related financing activities increased by \$148,349 when compared with 2018 and decreased by \$3,551 during 2018 when compared with 2017. Cash used for investing activities decreased by \$243,492 in 2019 and increased by \$988,839 in 2018.

Capital Assets

The Authority had \$865,335 invested in capital assets at the end of 2019 and \$874,021 at the end of 2018, net of accumulated depreciation, as detailed in Note 4 to the financial statements. The Authority purchased new capital assets totaling \$210,786 in 2019 and \$45,273 in 2018.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority administration by calling 580-317-9500.

The Beaver County Hospital Authority
 Statements of Net Position
 June 30, 2019 and 2018

	2019	2018 Restated
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 679,443	\$ 1,929,163
Restricted cash and cash equivalents	3,541	3,506
Short-term certificates of deposit	-	250,537
Receivables		
Patient and resident, net of estimated uncollectibles of \$275,000 in 2019 and \$238,000 in 2018	739,632	1,039,092
County appropriations	216,631	225,796
Estimated third-party payor settlements	233,375	-
Supplies	409,767	445,451
Prepaid expenses and other	4,805	25,701
Total current assets	2,287,194	3,919,246
Capital Assets		
Capital assets not being depreciated	52,731	52,731
Capital assets being depreciated	812,604	821,290
Total capital assets	865,335	874,021
Other Assets		
Noncurrent investments	2,045,035	1,005,052
Other	18,196	-
Total other assets	2,063,231	1,005,052
Total assets	5,215,760	5,798,319
Deferred Outflows of Resources	665,367	856,260
Total assets and deferred outflows of resources	\$ 5,881,127	\$ 6,654,579

The Beaver County Hospital Authority
 Statements of Net Position
 June 30, 2019 and 2018

	2019	2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable		
Trade	\$ 353,417	\$ 356,312
Estimated third-party payor settlements	-	537,657
Accrued expenses	442,417	439,764
Total current liabilities	795,834	1,333,733
Net Pension Obligations	273,499	733,751
Total liabilities	1,069,333	2,067,484
Deferred Inflows of Resources	223,131	191,180
Net Position		
Net investment in capital assets	865,335	874,021
Restricted:		
Expendable for capital acquisition	3,541	3,506
Expendable for specific operating activities	493,276	356,793
Unrestricted	3,226,511	3,161,595
Total net position	4,588,663	4,395,915
Total liabilities, deferred inflows of resources, and net position	\$ 5,881,127	\$ 6,654,579

The Beaver County Hospital Authority
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$401,402 in 2019 and \$352,859 in 2018	\$ 5,744,341	\$ 5,897,210
Community pharmacy revenue	1,519,443	1,512,700
Other revenue	157,377	140,076
	7,421,161	7,549,986
Operating Expenses		
Salaries and wages	3,793,938	3,911,958
Employee benefits	725,146	848,506
Professional fees and purchased services	1,003,447	851,271
Supplies and other	2,480,215	2,826,456
Depreciation	219,473	300,950
	8,222,219	8,739,141
Operating Loss	(801,058)	(1,189,155)
Nonoperating Revenues (Expenses)		
County appropriations - unrestricted	384,240	359,268
County appropriations - restricted	471,493	505,824
Investment income	62,530	35,673
Noncapital grants and contributions	75,543	160,727
Interest expense	-	(176)
	993,806	1,061,316
Change in Net Position	192,748	(127,839)
Net Position, Beginning of Year	4,395,915	4,523,754
Net Position, End of Year	\$ 4,588,663	\$ 4,395,915

The Beaver County Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 6,792,212	\$ 7,702,715
Payments to suppliers and contractors	(3,429,977)	(3,600,524)
Payments to and on behalf employees	(4,772,035)	(4,932,773)
Other receipts and payments, net	157,377	140,076
Net Cash used for Operating Activities	<u>(1,252,423)</u>	<u>(690,506)</u>
Noncapital Financing Activities		
Noncapital contributions and grants	75,543	160,727
Proceeds from county appropriations	864,898	739,439
Net Cash from Noncapital Financing Activities	<u>940,441</u>	<u>900,166</u>
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	-	(16,989)
Interest paid	-	(176)
Purchase of capital assets	(210,787)	(45,273)
Net Cash used for Capital and Capital Related Financing Activities	<u>(210,787)</u>	<u>(62,438)</u>
Investing Activities		
Investment income	62,530	35,673
Maturity of certificates of deposit	250,537	-
Purchase of certificates of deposit	(1,039,983)	(1,006,081)
Net Cash used for Investing Activities	<u>(726,916)</u>	<u>(970,408)</u>
Net Change in Cash and Cash Equivalents	(1,249,685)	(823,186)
Cash and Cash Equivalents, Beginning of Year	<u>1,932,669</u>	<u>2,755,855</u>
Cash and Cash Equivalents, End of Year	<u>\$ 682,984</u>	<u>\$ 1,932,669</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 679,443	\$ 1,929,163
Restricted cash and cash equivalents	3,541	3,506
Total cash and cash equivalents	<u>\$ 682,984</u>	<u>\$ 1,932,669</u>

The Beaver County Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (801,058)	\$ (1,189,155)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation on capital assets	219,473	300,950
Provision for bad debts	401,402	352,859
Changes in assets, liabilities, deferred inflows of resources and deferred outflows of resources		
Patient and resident receivables	(101,942)	(610,010)
Supplies	35,684	22,238
Prepaid expenses and other	20,896	108,957
Accounts payable	(2,895)	(53,992)
Accrued expenses	2,653	8,193
Estimated third-party payor settlements	(771,032)	549,956
Net pension and OPEB obligation	(478,448)	(170,040)
Deferred inflow of resources	31,951	(708)
Deferred outflow of resources	190,893	(9,754)
Net Cash used for Operating Activities	<u>\$ (1,252,423)</u>	<u>\$ (690,506)</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of The Beaver County Hospital Authority (Authority) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

Reporting Entity

The Authority was created under a trust indenture dated June 1989, as a public trust under the provisions of Title 60 of the Oklahoma State Statutes for the benefit of the Town of Beaver, Beaver County, Oklahoma.

The Authority operates Beaver County Hospital (Hospital), Beaver County Nursing Home (Nursing Home), two rural health clinics and a Community Pharmacy. The Hospital, located in Beaver, Oklahoma, is a 24-bed general, short-term, Medicare-certified facility. The Nursing Home is a 62-bed residential living facility located in Beaver, Oklahoma. The two rural health clinics are located in Beaver and Turpin, Oklahoma and the Community Pharmacy is located in the hospital.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority.

Blended Component Unit

Beaver County Emergency Medical Services (EMS) was organized as a public trust to provide emergency medical services and transportation services to the residents of the County. On July 8, 1991, the County and EMS entered into a contract whereby EMS authorized the Authority to operate and maintain the emergency medical services for the County. The EMS has been included as blended component unit because the Authority is financially accountable for the EMS. In exchange for allowing the Authority to charge and collect fees for services provided, EMS agreed to reimburse the Authority for any and all expenses incurred that are not recovered through fees charged for emergency medical services. Separate financial statements for EMS are not publicly available.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

Expendable - Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority had no restricted, nonexpendable net position at June 30, 2019 and 2018.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding restricted cash and investments. For purposes of the statement of cash flows, the Authority considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Short-Term Investments

Short-term investments include certificates of deposit with an original maturity of three to twelve months, excluding restricted cash and investments.

Investment Income

Interest on investments and deposits are included in nonoperating revenues when earned.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patients, residents and third-party payor obligations. Patient and resident receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Authority’s collections procedures. The Authority does not charge interest on the unpaid patient receivables. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management’s estimate of amounts that will not be collected from patients, residents and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

The net patient service revenue for the year ended June 30, 2018 decreased approximately \$85,000 for changes in estimates related to allowances of collectability on patient receivables due to actual collections activity different than previous estimates.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	5-40 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are reported after nonoperating activities. 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 restricted net position.

Noncurrent Investments and Investment Income

Noncurrent investments include certificates of deposit with an original maturity date greater than twelve months. Certificates of deposit are recorded at historical cost and interest income is reported as earned.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of unrecognized items not yet charged to pension and other postemployment benefits (OPEB) expense and contributions from the employer after the measurement date but before the end of the employer's reporting period related to the pension and OPEB plans. The Authority's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the plan.

Compensated Absences

The Authority's policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

The Authority participates in a cost-sharing multiple-employer defined benefit pension plan, the Oklahoma Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investments held by OPERS are reported at fair value by OPERS.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension and OPEB plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Authority's participation in the OPERS plan. The Authority's deferred inflows of resources related to pensions and OPEB are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the plan.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Authority result from exchange transactions associated with providing health care services - the Authority's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient and Resident Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, 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.

Community Pharmacy Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established charges. Payment arrangements include reimbursed costs and discounted charges. Community pharmacy revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others.

Grants and Contributions

The Authority may receive grants 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.

County Appropriations

The citizens of the County approved a 1% sales tax with an expiration date of April 1, 2024, to provide unrestricted appropriations to the Authority. The County collects the sales tax and remits it monthly to the Authority. Revenue from county appropriations is recognized in the year in which the sales tax is received. The Authority received approximately 5% and 4% of its financial support from county appropriations related to sales taxes during the years ended June 30, 2019 and 2018.

Effective February 10, 2009, the citizens of the County approved an ad valorem tax for two mills on the assessed valuation of taxable property situated in the County for the purpose of continued funding and maintenance of EMS. Property taxes are assessed in October of each year and half of the assessed taxes are due December 31 with the other half due March 31 of the following year. These taxes become delinquent after January 1 and April 1, respectively. Revenue from ad valorem tax is recognized in the year for which the ad valorem tax is levied. The Authority received approximately 6% of its financial support from ad valorem tax revenue during both of the years ended June 30, 2019 and 2018.

Reclassifications

Reclassifications have been made to the June 30, 2018 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Note 2 - Net Patient and Resident Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Hospital

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended June 30, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge or established fee schedules.

Other carriers: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Nursing Home

Medicare: Inpatient skilled care rendered to Medicare program beneficiaries are paid at prospectively determined rates.

Medicaid: Medicaid services are paid at prospectively determined rates.

Other carriers: The Nursing Home has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Nursing Home under these agreements includes prospectively determined rates and discounts from established charges.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital and clinic's patient and resident service revenues for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medicare	59%	66%
Medicaid	6%	6%
Other third-party payors	29%	25%
Self pay and other	6%	3%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other 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.

Note 3 - Deposits

The following statement of net position captions are considered deposits:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 679,443	\$ 1,929,163
Restricted cash and cash equivalents	3,541	3,506
Short-term certificates of deposit	-	250,537
Noncurrent investments	2,045,035	1,005,052
	<u>\$ 2,728,019</u>	<u>\$ 3,188,258</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Authority’s deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. Statutes also require that the market value of the collateral be at least 100% of the excess deposits. The Authority’s deposit policy does not further restrict bank deposits or limit investment deposits.

The Authority’s deposits in banks at June 30, 2019 and 2018 were entirely covered by federal depository insurance or by collateral held by the Authority’s custodial bank in the Authority’s name.

Note 4 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Transfers and Retirements	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 52,731	\$ -	\$ -	\$ 52,731
Capital assets being depreciated				
Land improvements	\$ 16,380	\$ 6,800	\$ -	\$ 23,180
Building and improvements	2,669,408	-	-	2,669,408
Equipment	3,049,397	203,987	-	3,253,384
Total capital assets being depreciated	5,735,185	\$ 210,787	\$ -	5,945,972
Less accumulated depreciation for				
Land improvements	(9,843)	\$ (214)	\$ -	(10,057)
Building and improvements	(2,139,400)	(22,861)	-	(2,162,261)
Equipment	(2,764,652)	(196,398)	-	(2,961,050)
Total accumulated depreciation	(4,913,895)	\$ (219,473)	\$ -	(5,133,368)
Net capital assets being depreciated	\$ 821,290			\$ 812,604
Capital assets, net	\$ 874,021			\$ 865,335

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Transfers and Retirements	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 52,731	\$ -	\$ -	\$ 52,731
Capital assets being depreciated				
Land improvements	\$ 16,380	\$ -	\$ -	\$ 16,380
Building and improvements	2,657,699	11,709	-	2,669,408
Equipment	3,015,833	33,564	-	3,049,397
Total capital assets being depreciated	5,689,912	\$ 45,273	\$ -	5,735,185
Less accumulated depreciation for				
Land improvements	(9,647)	\$ (196)	\$ -	(9,843)
Building and improvements	(2,119,193)	(20,207)	-	(2,139,400)
Equipment	(2,484,105)	(280,547)	-	(2,764,652)
Total accumulated depreciation	(4,612,945)	\$ (300,950)	\$ -	(4,913,895)
Net capital assets being depreciated	\$ 1,076,967			\$ 821,290
Capital assets, net	\$ 1,129,698			\$ 874,021

Note 5 - Debt

The Authority has a \$450,000 revolving line of credit with a variable interest rate (6.5% as of June 30, 2019) which expires in July 2020. No amounts were drawn on this line of credit.

Note 6 - Retirement Pension Plan

Plan Description

The Authority contributes to OPERS, a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. OPERS is administered by a board of trustees appointed by state statute. Benefit provisions are contained in the plan document and were established and can be amended by action of OPERS' governing body.

Benefits Provided

In general, OPERS provides retirement, disability and death benefits to plan members and their beneficiaries based on members' final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. OPERS' benefits are established and amended by state statute. Retirement provisions are as follows:

Hired Prior to November 1, 2011 – Normal retirement is attained upon completing one of the following: Age of 62 with six years of credited service; 80 points or the sum of age and years of service if the employee was hired before July 1, 1992; 90 points or the sum of age and years of service if the employee was hired after July 1, 1992. Retirement benefits for employees are calculated as the average compensation during the highest three years of the last 10 years of service.

Hired After November 1, 2011 – Normal retirement is attained upon completing one of the following: Age of 65 with six years of credited service or 90 points or the sum of age and years of service with a minimum age of 60. Retirement benefits for employees are calculated as the average compensation during the highest five years of the last 10 years of service. Retirement benefits for employees are calculated as 2% of the employee's final average salary multiplied by the employee's credited years of service.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Disability retirement benefits are determined in the same manner as retirement benefits and require a minimum of eight years of service and that the member qualifies for disability under the Social Security Administration or Railroad Retirement Board.

Contributions

The authority to set and amend contribution rates is established by ordinance for OPERS' defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. Contributions for participating county and local agencies are required by statute to total 20% for employees and employers as of June 30, 2019. For the year ended June 30, 2018, the Authority contributed 11.5% and employees contributed 8.5% of eligible compensation. For the years ended June 30, 2019 and 2018, contributions to the pension plan from the Authority were \$362,974 and \$363,448. For the years ended June 30, 2019 and 2018, contributions to the pension plan from employees were approximately \$273,000 and \$280,000.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the Authority reported a liability of \$273,499 and \$718,529, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2019 and 2018, was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the pension plan during the measurement period relative to the actual contributions of all participating employers. At June 30, 2018 and 2017, the Authority's proportion was 0.1402252% and 0.1328978%.

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of \$193,686 and \$183,366. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPERS from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 154,031	\$ -	\$ 128,493
Change in proportion	17,401	196,781	116,927	41,734
Change in assumptions	117,619	-	318,985	-
Net difference between projected and actual earnings on pension plan investments	-	-	32,099	-
Contributions made since measurement date	350,996	-	363,448	-
Total	\$ 486,016	\$ 350,812	\$ 831,459	\$ 170,227

At June 30, 2019 and 2018, the Authority reported \$350,996 and \$363,488, as deferred outflows of resources related to OPERS resulting from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the subsequent year.

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPERS at June 30, 2019, will be recognized in pension expense as follows:

	<u>Total</u>
2020	\$ 101,001
2021	265,956
2022	38,560
2022	(154,977)
2023	<u>(33,909)</u>
	<u>\$ 216,631</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 and 2017, actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurements:

	<u>2018</u>	<u>2017</u>
Inflation	2.75%	2.75%
Salary increase	3.5% - 9.5%	3.5% - 9.4%
Investment rate of return	7.00%	7.00%
Actuarial cost method	Entry age normal	Entry age normal

Mortality rates were based on the RP-2014 Mortality Table projected to 2025 by Scale MP-2016.

The actuarial assumptions used in the June 30, 2018 and 2017, valuations were based on the results of an actuarial experience study dated April 13, 2017, for the three-year period from July 1, 2013 to June 30, 2016.

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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
U.S. large cap equity	38.0%	3.8%
U.S. small cap equity	6.0%	4.9%
Non-US equity	24.0%	9.2%
U.S. fixed income	32.0%	1.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.00% for the years ended June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the OPERS plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2019		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,754,832	\$ 273,499	\$ (981,849)
	2018		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 2,123,644	\$ 718,529	\$ (471,273)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to the Pension Plan

At June 30, 2019 and 2018, the Authority reported a payable of approximately \$51,000 and \$53,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2019 and 2018.

Note 7 - Restricted and Designated Net Position

At June 30, 2019 and 2018, \$493,276 and \$356,793, of restricted expendable net position was available for the purpose of providing emergency medical services to the residents of the County. In addition, at June 30, 2019 and 2018, \$3,541 and \$3,506, was available for the purpose of capital acquisitions of the Nursing Home.

Note 8 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at June 30, 2019 and 2018 was as follows:

	2019	2018
Medicare	27%	47%
Medicaid	10%	11%
Commercial insurance	27%	20%
Other third-party payors and patients	36%	22%
	100%	100%

Note 9 - Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generated matching funds to the state of Oklahoma from federal sources. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will or equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

The Authority records receipts to net patient and resident service revenue. The Authority received \$82,000 and \$83,000 during the years ended June 30, 2019 and 2018.

Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Note 10 - Contingencies

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Authority has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Authority.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

Note 11 - Condensed Combining Information

The following summarizes combining information for the Authority and EMS, which has been presented as a blended component unit, as of and for the year ended June 30, 2019.

Statement of net position as of June 30, 2019:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and deferred outflows of resources				
Assets				
Current assets	\$ 1,793,918	\$ 519,218	\$ (25,942)	\$ 2,287,194
Capital assets, net	700,529	164,806	-	865,335
Other assets	2,063,231	-	-	2,063,231
Total assets	<u>4,557,678</u>	<u>684,024</u>	<u>(25,942)</u>	<u>5,215,760</u>
Deferred outflows of resources	<u>665,367</u>	-	-	<u>665,367</u>
Total assets and deferred outflows of resources	<u>\$ 5,223,045</u>	<u>\$ 684,024</u>	<u>\$ (25,942)</u>	<u>\$ 5,881,127</u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 795,834	\$ 25,942	\$ (25,942)	\$ 795,834
Net pension and OPEB obligations	273,499	-	-	273,499
Total liabilities	<u>1,069,333</u>	<u>25,942</u>	<u>(25,942)</u>	<u>1,069,333</u>
Deferred inflows of resources	<u>223,131</u>	-	-	<u>223,131</u>
Net position				
Net investment in capital assets	700,529	164,806	-	865,335
Restricted - expendable for				
Capital acquisitions	3,541	-	-	3,541
Specific operating activities	-	493,276	-	493,276
Unrestricted	3,226,511	-	-	3,226,511
Total net position	<u>3,930,581</u>	<u>658,082</u>	<u>-</u>	<u>4,588,663</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,223,045</u>	<u>\$ 684,024</u>	<u>\$ (25,942)</u>	<u>\$ 5,881,127</u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Operating results and changes in net position for the year ended June 30, 2019:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Operating revenues				
Net patient and resident service revenue	\$ 5,744,341	\$ -	\$ -	\$ 5,744,341
Community pharmacy revenue	1,519,443	-	-	1,519,443
Other operating revenue	<u>157,377</u>	<u>-</u>	<u>-</u>	<u>157,377</u>
Total operating revenues	<u>7,421,161</u>	<u>-</u>	<u>-</u>	<u>7,421,161</u>
Operating expenses				
Depreciation	182,669	36,804	-	219,473
Other operating expenses	<u>7,792,635</u>	<u>210,111</u>	<u>-</u>	<u>8,002,746</u>
Total operating expenses	<u>7,975,304</u>	<u>246,915</u>	<u>-</u>	<u>8,222,219</u>
Operating loss	(554,143)	(246,915)	-	(801,058)
Nonoperating revenues	<u>518,277</u>	<u>475,529</u>	<u>-</u>	<u>993,806</u>
Change in net position	(35,866)	228,614	-	192,748
Net position, beginning of year	<u>3,966,447</u>	<u>429,468</u>	<u>-</u>	<u>4,395,915</u>
Net position, end of year	<u>\$ 3,930,581</u>	<u>\$ 658,082</u>	<u>\$ -</u>	<u>\$ 4,588,663</u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Cash flows for the year ended June 30, 2019:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Net cash from (used in) operating activities	\$ (1,258,850)	\$ 6,427	\$ -	\$ (1,252,423)
Net cash from noncapital financing activities	459,536	480,905	-	940,441
Net cash used in capital and capital related financing activities	(81,852)	(128,935)	-	(210,787)
Net cash from (used in) investing activities	<u>(730,705)</u>	<u>3,789</u>	<u>-</u>	<u>(726,916)</u>
Net change in cash and cash equivalents	(1,611,871)	362,186	-	(1,249,685)
Cash and cash equivalents, beginning of year	<u>1,932,669</u>	<u>-</u>	<u>-</u>	<u>1,932,669</u>
Cash and cash equivalents, end of year	<u><u>\$ 320,798</u></u>	<u><u>\$ 362,186</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 682,984</u></u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

The following summarizes combining information for the Authority and EMS, which has been presented as a blended component unit, as of and for the year ended June 30, 2018.

Statement of net position as of June 30, 2018:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and deferred outflows of resources				
Assets				
Current assets	\$ 3,749,260	\$ 356,793	\$ (186,807)	\$ 3,919,246
Capital assets, net	801,346	72,675	-	874,021
Total assets	<u>4,550,606</u>	<u>429,468</u>	<u>(186,807)</u>	<u>4,793,267</u>
Deferred outflows of resources	<u>856,260</u>	-	-	<u>856,260</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,406,866</u></u>	<u><u>\$ 429,468</u></u>	<u><u>\$ (186,807)</u></u>	<u><u>\$ 5,649,527</u></u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 1,520,540	\$ -	\$ (186,807)	\$ 1,333,733
Net pension obligation	733,751	-	-	733,751
Total liabilities	<u>2,254,291</u>	-	<u>(186,807)</u>	<u>2,067,484</u>
Deferred inflows of resources	<u>191,180</u>	-	-	<u>191,180</u>
Net position				
Net investment in capital assets	801,346	72,675	-	874,021
Restricted - expendable for				
Capital acquisitions	3,506	-	-	3,506
Specific operating activities	-	356,793	-	356,793
Unrestricted	<u>3,161,595</u>	-	-	<u>3,161,595</u>
Total net position	<u>3,966,447</u>	<u>429,468</u>	-	<u>4,395,915</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 6,411,918</u></u>	<u><u>\$ 429,468</u></u>	<u><u>\$ (186,807)</u></u>	<u><u>\$ 6,654,579</u></u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Operating results and changes in net position for the year ended June 30, 2018:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Operating revenues				
Net patient and resident service revenue	\$ 5,829,564	\$ 67,646	\$ -	\$ 5,897,210
Community pharmacy revenue	1,512,700	-	-	1,512,700
Other operating revenue	140,076	-	-	140,076
Total operating revenues	<u>7,482,340</u>	<u>67,646</u>	<u>-</u>	<u>7,549,986</u>
Operating expenses				
Depreciation	278,985	21,965	-	300,950
Other operating expenses	7,945,699	492,492	-	8,438,191
Total operating expenses	<u>8,224,684</u>	<u>514,457</u>	<u>-</u>	<u>8,739,141</u>
Operating loss	<u>(742,344)</u>	<u>(446,811)</u>	<u>-</u>	<u>(1,189,155)</u>
Nonoperating revenues	<u>540,215</u>	<u>521,101</u>	<u>-</u>	<u>1,061,316</u>
Change in net position	(202,129)	74,290	-	(127,839)
Net position, beginning of year	<u>4,168,576</u>	<u>355,178</u>	<u>-</u>	<u>4,523,754</u>
Net position, end of year	<u>\$ 3,966,447</u>	<u>\$ 429,468</u>	<u>\$ -</u>	<u>\$ 4,395,915</u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2019 and 2018

Cash flows for the year ended June 30, 2018:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Net cash used in operating activities	\$ (249,222)	\$ (441,284)	\$ -	\$ (690,506)
Net cash from noncapital financing activities	458,882	441,284	-	900,166
Net cash used in capital and capital related financing activities	(62,438)	-	-	(62,438)
Net cash used for investing activities	<u>(970,408)</u>	<u>-</u>	<u>-</u>	<u>(970,408)</u>
Net change in cash and cash equivalents	(823,186)	-	-	(823,186)
Cash and cash equivalents, beginning of year	<u>2,755,855</u>	<u>-</u>	<u>-</u>	<u>2,755,855</u>
Cash and cash equivalents, end of year	<u>\$ 1,932,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,932,669</u>

Note 12 - Correction of an Error

The financial statements were restated for the year ended June 30, 2018 to correct an error in investment classification. The statement of net position as of June 30, 2018 incorrectly included a certificate of deposit with a maturity date of 15-months as short-term instead of noncurrent investments in the amount of \$1,005,052. This resulted in an overstatement of current assets and understatement of noncurrent investments.

The following is a summary of the effects of the restatement in the Authority's statement of statement of net position:

	As Previously Reported June 30, 2018	Correction of Error	As Restated June 30, 2018
Assets			
Current Assets			
Short-term certificates of deposit	\$ 1,255,589	\$ (1,005,052)	\$ 250,537
Total current assets	<u>4,924,298</u>	<u>(1,005,052)</u>	<u>3,919,246</u>
Other Assets			
Noncurrent investments	<u>-</u>	<u>1,005,052</u>	<u>1,005,052</u>
Total other assets	<u>\$ -</u>	<u>\$ 1,005,052</u>	<u>\$ 1,005,052</u>



Required Supplementary Information
June 30, 2019 and 2018

The Beaver County Hospital Authority

The Beaver County Hospital Authority
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability (Unaudited)
 Oklahoma Public Employees Retirement System Plan

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.14023%	0.13290%	0.09109%	0.11721%	0.14655%
Authority's proportionate share of the net pension liability	\$ 273,499	\$ 718,529	\$ 903,790	\$ 421,572	\$ 269,000
Authority's covered-employee payroll	\$ 3,160,417	\$ 3,298,696	\$ 3,065,209	\$ 3,769,704	\$ 3,518,838
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.65%	21.78%	29.49%	11.18%	7.64%
Plan fiduciary net position as a percentage of the total pension liability	97.96%	94.28%	89.48%	96.00%	97.90%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Information in the schedule has been determined as of the measurement date (the June 30 twelve months immediately preceding the Authority's most recent fiscal year-end) of the collective net pension liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68.

The Beaver County Hospital Authority
 Required Supplementary Information
 Schedule of the Authority's Contributions (Unaudited)
 Oklahoma Public Employees Retirement System Plan

Schedule of the Authority's Contributions

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 350,996	\$ 363,448	\$ 379,350	\$ 352,499	\$ 433,516
Contributions in relation to the statutorily required contribution	<u>350,996</u>	<u>363,448</u>	<u>379,350</u>	<u>352,499</u>	<u>433,516</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 3,052,139	\$ 3,160,417	\$ 3,298,696	\$ 3,065,209	\$ 3,769,704
Contributions as a percentage of covered-employee payroll	11.50%	11.50%	11.50%	11.50%	11.50%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Information in this schedule has been determined as of the Authority's most recent fiscal year-end in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68.



Supplementary Information
June 30, 2019 and 2018

The Beaver County Hospital Authority



Independent Auditor's Report on Supplementary Information

The Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

We have audited the financial statements of The Beaver County Hospital Authority as of and for the years ended June 30, 2019 and 2018 and our report thereon dated December 16, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining schedules of statement of net position information and combining schedules of revenues, expenses and changes in net position information are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 16, 2019

The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
June 30, 2019

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and cash equivalents	\$ 176,840	\$ 144,206	\$ -	\$ 321,046	\$ 358,397	\$ -	\$ 679,443
Restricted cash and cash equivalents	-	3,541	-	3,541	-	-	3,541
Patient and resident receivables, net of estimated uncollectibles of \$275,000	618,552	121,080	-	739,632	-	-	739,632
Due from related parties	130,730	-	(104,788)	25,942	-	(25,942)	-
County appropriations receivable	-	55,810	-	55,810	160,821	-	216,631
Estimated amounts due from third-party payors	233,375	-	-	233,375	-	-	233,375
Supplies	395,441	14,326	-	409,767	-	-	409,767
Prepaid expenses and other	-	4,805	-	4,805	-	-	4,805
Total current assets	1,554,938	343,768	(104,788)	1,793,918	519,218	(25,942)	2,287,194
Capital Assets							
Capital assets not being depreciated	33,231	12,000	-	45,231	7,500	-	52,731
Capital assets being depreciated	415,045	240,253	-	655,298	157,306	-	812,604
Total capital assets	448,276	252,253	-	700,529	164,806	-	865,335
Other Assets							
Long-term certificates of deposit	2,045,035	-	-	2,045,035	-	-	2,045,035
Other	9,617	8,579	-	18,196	-	-	18,196
Total other assets	2,054,652	8,579	-	2,063,231	-	-	2,063,231
Total assets	4,057,866	604,600	(104,788)	4,557,678	684,024	(25,942)	5,215,760
Deferred Outflows of Resources	352,644	312,723	-	665,367	-	-	665,367
Total assets and deferred outflows of resources	\$ 4,410,510	\$ 917,323	\$ (104,788)	\$ 5,223,045	\$ 684,024	\$ (25,942)	\$ 5,881,127

The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
June 30, 2019

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	\$ 232,381	\$ 121,036	\$ -	\$ 353,417	\$ -	\$ -	\$ 353,417
Due to related parties	-	104,788	(104,788)	-	25,942	(25,942)	-
Accrued expense	253,205	189,212	-	442,417	-	-	442,417
Total current liabilities	485,586	415,036	(104,788)	795,834	25,942	(25,942)	795,834
Net Pension Obligations	145,334	128,165	-	273,499	-	-	273,499
Total liabilities	630,920	543,201	(104,788)	1,069,333	25,942	(25,942)	1,069,333
Deferred Inflows of Resources	118,260	104,871	-	223,131	-	-	223,131
Net Position							
Net investment in capital assets	448,276	252,253	-	700,529	164,806	-	865,335
Restricted - expendable for							
Capital acquisitions	-	3,541	-	3,541	-	-	3,541
Specific operating activities	-	-	-	-	493,276	-	493,276
Unrestricted	3,213,054	13,457	-	3,226,511	-	-	3,226,511
Total net position	3,661,330	269,251	-	3,930,581	658,082	-	4,588,663
Total liabilities, deferred inflows of resources and net position	\$ 4,410,510	\$ 917,323	\$ (104,788)	\$ 5,223,045	\$ 684,024	\$ (25,942)	\$ 5,881,127

The Beaver County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2019

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medial Services	Eliminations	Combined Total
Operating revenues							
Net patient and resident service revenue, net of provision for bad debts of \$401,402	\$ 3,561,299	\$ 2,183,042	\$ -	\$ 5,744,341	\$ -	\$ -	\$ 5,744,341
Community pharmacy revenue	1,519,443	-	-	1,519,443	-	-	1,519,443
Other	44,699	148,617	(35,939)	157,377	-	-	157,377
Total operating revenues	5,125,441	2,331,659	(35,939)	7,421,161	-	-	7,421,161
Operating Expenses							
Salaries and wages	2,196,058	1,458,772	-	3,654,830	139,108	-	3,793,938
Employee benefits	428,451	277,671	-	706,122	19,024	-	725,146
Purchased services and professional fees	821,584	165,486	-	987,070	16,377	-	1,003,447
Supplies and other	1,804,872	675,680	(35,939)	2,444,613	35,602	-	2,480,215
Depreciation	139,804	42,865	-	182,669	36,804	-	219,473
Total operating expenses	5,390,769	2,620,474	(35,939)	7,975,304	246,915	-	8,222,219
Operating Loss	(265,328)	(288,815)	-	(554,143)	(246,915)	-	(801,058)
Nonoperating Revenues (Expenses)							
County appropriations - unrestricted	-	384,240	-	384,240	-	-	384,240
County appropriations - restricted	52,342	-	-	52,342	419,151	-	471,493
Investment income	56,812	1,929	-	58,741	3,789	-	62,530
Noncapital grants and gifts	13,085	9,869	-	22,954	52,589	-	75,543
Total nonoperating revenues	122,239	396,038	-	518,277	475,529	-	993,806
Change in Net Position	(143,089)	107,223	-	(35,866)	228,614	-	192,748
Net Position, Beginning of Year	3,804,419	162,028	-	3,966,447	429,468	-	4,395,915
Net Position, End of Year	\$ 3,661,330	\$ 269,251	\$ -	\$ 3,930,581	\$ 658,082	\$ -	\$ 4,588,663

The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
June 30, 2018

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and cash equivalents	\$ 1,895,211	\$ 33,952	\$ -	\$ 1,929,163	\$ -	\$ -	\$ 1,929,163
Restricted cash and cash equivalents	-	3,506	-	3,506	-	-	3,506
Short-term certificates of deposit	200,537	50,000	-	250,537	-	-	250,537
Patient and resident receivables, net of estimated uncollectibles of \$238,000	939,767	99,325	-	1,039,092	-	-	1,039,092
Due from related parties	76,836	-	(76,836)	-	186,807	(186,807)	-
County appropriations receivable	-	55,810	-	55,810	169,986	-	225,796
Supplies	432,616	12,835	-	445,451	-	-	445,451
Prepaid expenses and other	20,130	5,571	-	25,701	-	-	25,701
Total current assets	3,565,097	260,999	(76,836)	3,749,260	356,793	(186,807)	3,919,246
Capital Assets							
Capital assets not being depreciated	33,231	12,000	-	45,231	7,500	-	52,731
Capital assets being depreciated	472,995	283,120	-	756,115	65,175	-	821,290
Total capital assets	506,226	295,120	-	801,346	72,675	-	874,021
Long-term Certificates of Deposit	1,005,052	-	-	1,005,052	-	-	1,005,052
Total assets	5,076,375	556,119	(76,836)	5,555,658	429,468	(186,807)	5,798,319
Deferred Outflows of Resources	453,818	402,442	-	856,260	-	-	856,260
Total assets and deferred outflows of resources	\$ 5,530,193	\$ 958,561	\$ (76,836)	\$ 6,411,918	\$ 429,468	\$ (186,807)	\$ 6,654,579

The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
June 30, 2018

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	\$ 259,152	\$ 97,160	\$ -	\$ 356,312	\$ -	\$ -	\$ 356,312
Due to related parties	186,807	76,836	(76,836)	186,807	-	(186,807)	-
Accrued expense	251,564	188,200	-	439,764	-	-	439,764
Estimated amounts due to third-party payors	537,657	-	-	537,657	-	-	537,657
Total current liabilities	1,235,180	362,196	(76,836)	1,520,540	-	(186,807)	1,333,733
Net Pension Obligation	389,268	344,483	-	733,751	-	-	733,751
Total liabilities	1,624,448	706,679	(76,836)	2,254,291	-	(186,807)	2,067,484
Deferred Inflows of Resources	101,326	89,854	-	191,180	-	-	191,180
Net Position							
Net investment in capital assets	506,226	295,120	-	801,346	72,675	-	874,021
Restricted - expendable for							
Capital acquisitions	-	3,506	-	3,506	-	-	3,506
Specific operating activities	-	-	-	-	356,793	-	356,793
Unrestricted	3,298,193	(136,598)	-	3,161,595	-	-	3,161,595
Total net position	3,804,419	162,028	-	3,966,447	429,468	-	4,395,915
Total liabilities, deferred inflows of resources and net position	\$ 5,530,193	\$ 958,561	\$ (76,836)	\$ 6,411,918	\$ 429,468	\$ (186,807)	\$ 6,654,579

The Beaver County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2018

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medial Services	Eliminations	Combined Total
Operating revenues							
Net patient and resident service revenue, net of provision for bad debts of \$352,859	\$ 3,701,896	\$ 2,127,668	\$ -	\$ 5,829,564	\$ 67,646	\$ -	\$ 5,897,210
Community pharmacy revenue	1,512,700	-	-	1,512,700	-	-	1,512,700
Other	32,283	159,472	(51,679)	140,076	-	-	140,076
Total operating revenues	5,246,879	2,287,140	(51,679)	7,482,340	67,646	-	7,549,986
Operating Expenses							
Salaries and wages	2,254,908	1,543,140	-	3,798,048	113,910	-	3,911,958
Employee benefits	459,021	380,251	-	839,272	9,234	-	848,506
Purchased services and professional fees	703,000	144,294	-	847,294	3,977	-	851,271
Supplies and other	1,833,344	679,420	(51,679)	2,461,085	365,371	-	2,826,456
Depreciation	207,076	71,909	-	278,985	21,965	-	300,950
Total operating expenses	5,457,349	2,819,014	(51,679)	8,224,684	514,457	-	8,739,141
Operating Loss	(210,470)	(531,874)	-	(742,344)	(446,811)	-	(1,189,155)
Nonoperating Revenues (Expenses)							
County appropriations - unrestricted	(4,308)	363,576	-	359,268	-	-	359,268
County appropriations - restricted	64,540	-	-	64,540	441,284	-	505,824
Investment income	34,020	1,653	-	35,673	-	-	35,673
Noncapital grants and gifts	79,188	1,722	-	80,910	79,817	-	160,727
Interest expense	(176)	-	-	(176)	-	-	(176)
Total nonoperating revenues	173,264	366,951	-	540,215	521,101	-	1,061,316
Change in Net Position	(37,206)	(164,923)	-	(202,129)	74,290	-	(127,839)
Net Position, Beginning of Year	3,841,625	326,951	-	4,168,576	355,178	-	4,523,754
Net Position, End of Year	\$ 3,804,419	\$ 162,028	\$ -	\$ 3,966,447	\$ 429,468	\$ -	\$ 4,395,915



**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 Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

We have audited, 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, the financial statements of The Beaver County Hospital Authority (Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 to be material weaknesses: 2019-A through 2019-C.

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 deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency: 2019-D.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 determination of financial statement amounts. 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*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oklahoma City, Oklahoma
December 16, 2019

Findings – Financial Statements Audit – Internal Controls over Financial Reporting

Material Weaknesses

2019-A Segregation of Duties

Criteria: A properly designed system of internal control segregates the initiation, record keeping, and authorization of transactions.

Condition: During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity. The Comptroller, Hospital Business Office Manager and Nursing Home Business Office Manager prepares journal entries and also has access to assets and reconciling responsibilities. There is no review of journal entries prepared by the Comptroller.

Cause: A limited number of office personnel prevent a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Effect: Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Auditor's Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Authority should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Authority should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Views of Responsible Officials: Management agrees with the finding and has reviewed the operating procedures of the Authority. Due to the limited number of office employees, management will continue to monitor the Authority's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

2019-B Preparation of Financial Statements

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: The Authority does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. As auditors, we cannot be considered part of the internal control system.

Cause: This weakness is due to the limited resources in the financial reporting process due to budgetary constraints.

Effect: The effect of this condition is that yearend financial reporting is prepared by a party outside of the Authority. The outside party does not have constant contact with the ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to interim financial statements. Additionally, the financial statements required material adjustments, including a prior period restatement.

Auditor's Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Views of Responsible Officials: Given the staffing levels of the Authority, we do not think it would be cost-effective to fully cure this deficiency at this time. In addition, given the complex and constantly changing nature of financial reporting requirements, we believe that better results can be achieved by continuing to rely on the expertise of our outside auditors regarding these matters.

2019-C Material Audit Entries

Criteria: A properly designed system of internal control over financial reporting allows entities to initiate, record, process, and report financial report data reliably in accordance with general accepted accounting principles.

Condition: During the course of our engagement, we proposed material audit adjustments to the financial statements that would not have been identified as a result of the Authority's existing internal controls, and therefore, could have resulted in material misstatement of the Authority's financial statements. The adjustments relate to deferred inflows/outflows of resources, pension liabilities, EMS millage receivables and capital assets.

Effect: Material audit adjustments were made to the balances.

Cause: There was no control in place to estimate the amounts.

Auditor's Recommendation: It is recommended the Hospital implement a system that provides adequate controls over estimating such balances.

Views of Responsible Officials: Management will continue to rely on the auditor to make the necessary adjustments.

Significant Deficiency

2019-D Cost Report Estimate

Criteria: Accountings standards require an entity to estimate significant balances, including the Medicare cost report settlement, in order to fairly state the financial position as of year-end.

Condition: During the current year, the Authority recorded an estimate for the Medicare cost report settlement. However, the estimate was different from the ultimately filed cost report.

Effect: This resulted in an adjusting journal entry to properly state the current year settlement.

Cause: The current year cost report settlement was not properly estimated at year end which resulted in a journal entry to the financial statements.

Auditor's Recommendation: It is recommended the Hospital implement a system that provides adequate controls over estimating cost report settlements.

Views of Responsible Officials: Management will assess the need to purchase estimating software to more accurately reflect the Medicare Cost Report Settlements. The key to the assessment will be weighing cost versus the financial benefit of this purchase.