



Financial Statements  
June 30, 2020 and 2019

# The Beaver County Hospital Authority

# The Beaver County Hospital Authority

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June 30, 2020 and 2019

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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, 2020 and 2019, 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.

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

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## **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, 2020 and 2019, 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.

## **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 37 and 38 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 April 14, 2021 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  
April 14, 2021

## 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, 2020, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the Authority.

## Financial Highlights

- Current assets increased in 2020 by \$3,743,300 or 164% and decreased in 2019 by \$1,632,052 or 42%.
- Deferred outflows of resources decreased in 2020 by \$273,571 or 41% and decreased in 2019 by \$190,893 or 22%.
- Current liabilities increased in 2020 by \$3,025,271 or 380% and decreased in 2019 by \$537,899 or 40%.
- Long-term liabilities increased in 2020 by \$325,058 or 119% and decreased in 2019 by \$460,252 or 63%.
- The Authority's net position decreased in 2020 by \$327,944 or 7% in 2020 and increased by \$192,748 or 4%.
- The Authority reported an operating loss in 2020 of \$1,387,701, an operating loss in 2019 of \$801,058, and an operating loss in 2018 of \$1,189,155. During 2020, the operating loss increased by \$586,643 or 73% and the operating loss decreased by \$388,097 or 33% during 2019.
- Nonoperating revenues increased by \$65,951 or 7% in 2020 and decreased by \$67,510 or 6% in 2019.
- The Authority received \$2,942,745 in provider relief funds. During the year ended June 30, 2020, the Authority recognized \$140,819 as revenue.

## 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 decreased by \$327,944 or 7% in 2020 and increased by \$192,748 or 4% in 2019 as shown in Table 1.

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

	2020	2019	2018
<b>Assets</b>			
Current assets	\$ 6,030,494	\$ 2,287,194	\$ 3,919,246
Capital assets, net of accumulated depreciation	748,610	865,335	874,021
Other assets	1,633,862	2,063,231	1,005,052
Total assets	8,412,966	5,215,760	5,798,319
<b>Deferred Outflows of Resources</b>	391,796	665,367	856,260
Total assets and deferred outflows of resources	<u>\$ 8,804,762</u>	<u>\$ 5,881,127</u>	<u>\$ 6,654,579</u>
<b>Liabilities</b>			
Current liabilities	\$ 3,821,105	\$ 795,834	\$ 1,333,733
Long-term liabilities	598,557	273,499	733,751
Total liabilities	4,419,662	1,069,333	2,067,484
<b>Deferred Inflows of Resources</b>	124,381	223,131	191,180
<b>Net Position</b>			
Net investment in capital assets	748,610	865,335	874,021
Restricted:			
Expendable for capital acquisitions	3,575	3,541	3,506
Expendable for specific operating activities	602,144	493,276	356,793
Unrestricted	2,906,390	3,226,511	3,161,595
Total net position	4,260,719	4,588,663	4,395,915
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,804,762</u>	<u>\$ 5,881,127</u>	<u>\$ 6,654,579</u>

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

- Current assets increased \$3,743,300 or 164% in 2020 and decreased \$1,632,052 or 42% in 2019.
- Cash and cash equivalents increased \$1,271,338 or 186% in 2020 due to the Authority receiving Provider Relief Funds during the year and decreased \$1,249,685 or 65% in 2019 due to a purchase of \$1,039,983 in noncurrent investments.
- Patient and resident receivables decreased \$93,501 or 13% in 2020 and decreased \$299,460 or 29% in 2019 due to a decrease in services provided.
- Noncurrent investments decreased \$461,496 or 23% in 2020 and increased \$1,039,983 or 10% in 2019.
- Current liabilities increased \$3,025,271 or 380% in 2020 and decreased \$537,899 or 40% in 2019. In 2020, the Authority has a refundable advance related to the Provider Relief Fund of \$2,801,926 and current maturities of long-term debt of \$334,694. In 2019, the Authority has a receivable of \$233,375 from the Medicare program for estimated third-party settlements, whereas in 2018 the Authority owed the Medicare program for estimated third-party settlements.

**Table 2: Operating Results and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 5,667,555	\$ 5,744,341	\$ 5,897,210
Community pharmacy revenue	1,390,007	1,519,443	1,512,700
Other operating revenue	<u>168,121</u>	<u>157,377</u>	<u>140,076</u>
Total operating revenue	<u>7,225,683</u>	<u>7,421,161</u>	<u>7,549,986</u>
<b>Operating Expenses</b>			
Salaries, wages, and employee benefits	4,967,399	4,519,084	4,760,464
Purchased services and professional fees	1,163,488	1,003,447	851,271
Supplies and other	2,333,479	2,480,215	2,826,456
Depreciation	<u>149,018</u>	<u>219,473</u>	<u>300,950</u>
Total operating expenses	<u>8,613,384</u>	<u>8,222,219</u>	<u>8,739,141</u>
Operating Loss	<u>(1,387,701)</u>	<u>(801,058)</u>	<u>(1,189,155)</u>
<b>Nonoperating Revenues (Expenses)</b>			
County appropriations - unrestricted	381,396	384,240	359,268
County appropriations - restricted	458,716	471,493	505,824
Investment income	57,442	62,530	35,673
Provider relief funds	140,819	-	-
Loss on sale of assets	(3,975)	-	-
Noncapital grants and contributions	25,359	75,543	160,727
Interest expense	<u>-</u>	<u>-</u>	<u>(176)</u>
Nonoperating revenues, net	<u>1,059,757</u>	<u>993,806</u>	<u>1,061,316</u>
Change in Net Position	<u>\$ (327,944)</u>	<u>\$ 192,748</u>	<u>\$ (127,839)</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 2020, 2019, and 2018.

The operating loss for 2020 increased by \$586,643 or 73% as compared to the decrease of \$388,097 or 33% in 2019. The primary components of the increases in operating loss are:

- A decrease in patient and resident revenue, net of uncollectible accounts, of \$76,786 or 1% in 2020 and a decrease of \$152,869 or 3% in 2019. In 2020, the decrease is a result of the COVID-19 pandemic. In 2019, the decrease is due to the provision for bad debts.
- A decrease in community pharmacy revenue of \$129,436 or 9% in 2020 and an increase of \$6,743 or 0.4% in 2019. In 2020, the decrease is due to a decrease in prescriptions filled as a result of the COVID-19 pandemic.
- An increase in salaries, wages and employee benefits of \$448,315 or 10% in 2020 and a decrease of \$241,380 or 5% in 2019. The changes are due to the changes in the retirement pension plan.
- An increase in purchased services and professional fees of \$160,041 or 16% in 2020 and an increase of \$152,176 or 5% in 2019. In 2020, the increase is due to the need for contract labor as a result of the COVID-19 pandemic. In 2019, the increase is due to the need of contract labor as a result of a retiring physician.

## Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of county appropriations and provider relief funds. The county appropriations decreased by \$15,621 or 2% in 2020 and decreased by \$9,359 or 1% in 2019. As a result of the COVID-19 pandemic, the Authority received Provider Relief Funds during 2020 and recognized \$140,819 as nonoperating revenue.

## The Authority's Cash Flows

The Authority's overall liquidity increased during the year with a net increase to cash and cash equivalents, of \$1,271,338 when compared with 2019 and decreased \$1,249,685 during 2019 when compared to 2018. Cash flows used for operating activities increased by \$4,594 during 2020 when compared with 2019 and increased by \$561,917 or 81% during 2019 when compared with 2018. Cash from non-capital financing activities increased by \$3,605,244 compared with 2019 as a result of amounts received from Provider Relief Funds and increased by \$40,275 during 2019 when compared with 2018. Cash used for capital and capital related financing activities decreased by \$174,519 when compared with 2019 and increased by \$148,349 during 2019 when compared with 2018. Cash used for investing activities increased by \$1,254,146 in 2020 and decreased by \$243,492 in 2019.

## Capital Assets

The Authority had \$748,610 invested in capital assets at the end of 2020 and \$865,335 at the end of 2019, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The Authority purchased new capital assets totaling \$66,393 in 2020 and \$210,787 in 2019.



### **Long term Debt**

The Authority received two loans under the Paycheck Protection Program (PPP) in the amount of \$761,012 during 2020, which is subject to forgiveness if certain conditions are met. The Authority had total long-term debt of \$761,012 at the end of 2020. The Authority incurred no debt in 2019 and had total long-term debt of \$0 at the end of 2019. During 2020 and 2019, the Authority used none of the line of credit.

### **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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 1,648,821	\$ 679,443
Restricted cash and cash equivalents	305,501	3,541
Restricted short-term certificates of deposit	2,500,000	-
Receivables		
Patient and resident, net of estimated uncollectibles		
of \$262,000 in 2020 and \$275,000 in 2019	646,131	739,632
County appropriations	240,174	216,631
Estimated third-party payor settlements	360,024	233,375
Supplies	329,152	409,767
Prepaid expenses and other	691	4,805
Total current assets	<u>6,030,494</u>	<u>2,287,194</u>
Capital Assets		
Capital assets not being depreciated	52,731	52,731
Capital assets being depreciated, net	695,879	812,604
Total capital assets	<u>748,610</u>	<u>865,335</u>
Other Assets		
Noncurrent investments	1,583,539	2,045,035
Other	50,323	18,196
Total other assets	<u>1,633,862</u>	<u>2,063,231</u>
Total assets	<u>8,412,966</u>	<u>5,215,760</u>
Deferred Outflows of Resources	<u>391,796</u>	<u>665,367</u>
Total assets and deferred outflows of resources	<u>\$ 8,804,762</u>	<u>\$ 5,881,127</u>

The Beaver County Hospital Authority

Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 334,694	\$ -
Accounts payable	268,918	353,417
Accrued expenses	415,567	442,417
Refundable advance - provider relief funds	2,801,926	-
Total current liabilities	<u>3,821,105</u>	<u>795,834</u>
Long-Term Liabilities		
Long-term debt, less current maturities	426,318	-
Net pension obligations	172,239	273,499
Total long-term liabilities	<u>598,557</u>	<u>273,499</u>
Total liabilities	<u>4,419,662</u>	<u>1,069,333</u>
Deferred Inflows of Resources	<u>124,381</u>	<u>223,131</u>
Net Position		
Net investment in capital assets	748,610	865,335
Restricted:		
Expendable for capital acquisition	3,575	3,541
Expendable for specific operating activities	602,144	493,276
Unrestricted	2,906,390	3,226,511
Total net position	<u>4,260,719</u>	<u>4,588,663</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,804,762</u>	<u>\$ 5,881,127</u>

The Beaver County Hospital Authority  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$372,121 in 2020 and \$401,402 in 2019	\$ 5,667,555	\$ 5,744,341
Community pharmacy revenue	1,390,007	1,519,443
Other revenue	168,121	157,377
Total operating revenues	7,225,683	7,421,161
Operating Expenses		
Salaries and wages	3,925,530	3,793,938
Employee benefits	1,041,869	725,146
Professional fees and purchased services	1,163,488	1,003,447
Supplies and other	2,333,479	2,480,215
Depreciation	149,018	219,473
Total operating expenses	8,613,384	8,222,219
Operating Loss	(1,387,701)	(801,058)
Nonoperating Revenues (Expenses)		
County appropriations - unrestricted	381,396	384,240
County appropriations - restricted	458,716	471,493
Investment income	57,442	62,530
Provider relief funds	140,819	-
Loss on sale of assets	(3,975)	-
Noncapital grants and contributions	25,359	75,543
Net nonoperating revenues	1,059,757	993,806
Change in Net Position	(327,944)	192,748
Net Position, Beginning of Year	4,588,663	4,395,915
Net Position, End of Year	\$ 4,260,719	\$ 4,588,663

The Beaver County Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from and on behalf of patients and residents	\$ 7,024,414	\$ 6,792,212
Payments to suppliers and contractors	(3,496,737)	(3,429,977)
Payments to and on behalf employees	(4,952,815)	(4,772,035)
Other receipts and payments, net	168,121	157,377
Net Cash used for Operating Activities	<u>(1,257,017)</u>	<u>(1,252,423)</u>
Noncapital Financing Activities		
Noncapital contributions and grants	25,359	75,543
Provider relief funds	2,942,745	-
Proceeds from long-term debt	761,012	-
Proceeds from county appropriations	816,569	864,898
Net Cash from Noncapital Financing Activities	<u>4,545,685</u>	<u>940,441</u>
Capital and Capital Related Financing Activities		
Proceeds from sale of equipment	30,125	-
Purchase of capital assets	(66,393)	(210,787)
Net Cash used for Capital and Capital Related Financing Activities	<u>(36,268)</u>	<u>(210,787)</u>
Investing Activities		
Investment income	57,442	62,530
Maturity of certificates of deposit	500,000	250,537
Purchase of certificates of deposit	(2,538,504)	(1,039,983)
Net Cash used for Investing Activities	<u>(1,981,062)</u>	<u>(726,916)</u>
Net Change in Cash and Cash Equivalents	1,271,338	(1,249,685)
Cash and Cash Equivalents, Beginning of Year	682,984	1,932,669
Cash and Cash Equivalents, End of Year	<u>\$ 1,954,322</u>	<u>\$ 682,984</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 1,648,821	\$ 679,443
Restricted cash and cash equivalents	305,501	3,541
Total cash and cash equivalents	<u>\$ 1,954,322</u>	<u>\$ 682,984</u>

The Beaver County Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (1,387,701)	\$ (801,058)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation on capital assets	149,018	219,473
Provision for bad debts	372,121	401,402
Changes in assets, liabilities, deferred inflows of resources and deferred outflows of resources		
Patient and resident receivables	(278,620)	(101,942)
Supplies	80,615	35,684
Prepaid expenses and other	4,114	20,896
Accounts payable	(84,499)	(2,895)
Accrued expenses	(26,850)	2,653
Estimated third-party payor settlements	(126,649)	(771,032)
Net pension and OPEB obligation	(133,387)	(478,448)
Deferred inflow of resources	(98,750)	31,951
Deferred outflow of resources	273,571	190,893
Net Cash used for Operating Activities	<u>\$ (1,257,017)</u>	<u>\$ (1,252,423)</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, 2020 and 2019.

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.



### **Restricted Cash**

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

### **Short-Term Investments**

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

### **Restricted Short-Term Investments**

Short-term investments that have restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted short-term investments available for obligations classified as current liabilities are reported as current assets.

### **Investment Income**

Interest on 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.

### **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 and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	5-15 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 up to a specified maximum, 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.

### **Charity Care**

The Authority provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately \$34,000 and \$22,000 for the years ended June 30, 2020 and 2019, calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients.

### **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 14, 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 5% of its financial support from county appropriations related to sales taxes during the years ended June 30, 2020 and 2019.

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% and 6% of its financial support from ad valorem tax revenue during both of the years ended June 30, 2020 and 2019.

**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, 2018. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare	39%	42%
Medicaid	25%	21%
Other third-party payors	20%	21%
Self pay and other	16%	16%
	<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 - Provider Relief Funds**

The Authority received \$2,843,822 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of June 30, 2021. Unspent funds will be expected to be repaid.

The Authority also received \$98,923 through the Paycheck Protection Program and Health Care Enhancement Act (PPPHEA) for its rural health clinics to conduct COVID-19 testing. This funding may only be used for conducting COVID-19 testing and related expenses, including building or construction of temporary structures, leasing of properties, and retrofitting facilities as necessary to support COVID-19 testing.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were issued ("available to be issued" for non-public). In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2020, the Authority had a liability of \$2,801,926, which was included in current liabilities on the accompanying statement of financial position, as well as restricted cash totaling \$301,926 and restricted short-term certificates of deposit totaling \$2,500,000, which is subject to the restrictions imposed by HHS. During the year ended June 30, 2020, the Authority recognized \$140,819 as revenue, included as nonoperating activities on the statement of revenues, expenses, and changes in net position.

**Note 4 - Deposits**

The following statement of net position captions are considered deposits:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,648,821	\$ 679,443
Restricted cash and cash equivalents	305,501	3,541
Restricted short-term certificates of deposit	2,500,000	-
Noncurrent investments	<u>1,583,539</u>	<u>2,045,035</u>
	<u>\$ 6,037,861</u>	<u>\$ 2,728,019</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, 2020 and 2019 were entirely covered by federal depository insurance or by collateral held by the Authority’s custodial bank in the Authority’s name.

**Note 5 - Capital Assets**

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Transfers and Retirements	Balance June 30, 2020
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets not being depreciated				
Land	\$ 52,731	\$ -	\$ -	\$ 52,731
Capital assets being depreciated				
Land improvements	\$ 23,180	\$ -	\$ -	\$ 23,180
Building and improvements	2,669,408	-	-	2,669,408
Equipment	<u>3,253,384</u>	<u>66,393</u>	<u>(43,400)</u>	<u>3,276,377</u>
Total capital assets being depreciated	<u>5,945,972</u>	<u>\$ 66,393</u>	<u>\$ (43,400)</u>	<u>5,968,965</u>
Less accumulated depreciation for				
Land improvements	(10,057)	\$ (3,158)	\$ -	(13,215)
Building and improvements	(1,608,808)	(36,264)	-	(1,645,072)
Equipment	<u>(3,514,503)</u>	<u>(109,596)</u>	<u>9,300</u>	<u>(3,614,799)</u>
Total accumulated depreciation	<u>(5,133,368)</u>	<u>\$ (149,018)</u>	<u>\$ 9,300</u>	<u>(5,273,086)</u>
Net capital assets being depreciated	<u>\$ 812,604</u>			<u>\$ 695,879</u>
Capital assets, net	<u>\$ 865,335</u>			<u>\$ 748,610</u>



The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

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	(1,585,947)	(22,861)	-	(1,608,808)
Equipment	(3,318,105)	(196,398)	-	(3,514,503)
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

**Note 6 - Debt**

A schedule of changes in the Authority's long-term debt for June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Payments	Balance June 30, 2020	Due Within One Year
Notes for Direct Borrowings					
Note payable to bank (1)	\$ -	\$ 477,697	\$ -	\$ 477,697	\$ 210,092
Note payable to bank (2)	-	283,315	-	283,315	124,602
Total long-term debt	\$ -	\$ 761,012	\$ -	\$ 761,012	\$ 334,694

**Note Payable to Bank (1)**

The Authority was granted a \$477,697 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Authority is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Authority has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Authority applied for forgiveness of the PPP loan in 2021 and was legally released by the SBA for the full outstanding balance in November 2020.

**Note Payable to Bank (2)**

The Authority was granted a \$283,315 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Authority is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Authority has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Authority applied for forgiveness of the PPP loan in 2021 and was legally released by the SBA for the full outstanding balance in November 2020.

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 334,694	\$ 7,926
2022	426,318	1,956
Total	<u>\$ 761,012</u>	<u>\$ 9,882</u>

The Authority has a \$450,000 revolving line of credit with a variable interest rate (5.25% as of June 30, 2020) which expires in July 2021. No amounts were drawn on this line of credit for the years ending June 30, 2020 and 2019.

**Note 7 - 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, 2020. For the year ended June 30, 2019, the Authority contributed 11.5% and employees contributed 8.5% of eligible compensation. For the years ended June 30, 2020 and 2019, contributions to the pension plan from the Authority were \$365,245 and \$350,996. For the years ended June 30, 2020 and 2019, contributions to the pension plan from employees were approximately \$283,000 and \$273,000.

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

At June 30, 2020 and 2019, the Authority reported a liability of \$172,239 and \$273,499, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2020 and 2019, was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018. 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, 2019 and 2018, the Authority's proportion was 0.12932037% and 0.1402252%.

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$278,030 and \$193,686. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPERS from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 40,530	\$ -	\$ 154,031
Change in proportion	7,458	17,341	17,401	196,781
Change in assumptions	-	-	117,619	-
Net difference between projected and actual earnings on pension plan investments	-	51,971	-	-
Contributions made since measurement date	365,245	-	350,996	-
<b>Total</b>	<b>\$ 372,703</b>	<b>\$ 109,842</b>	<b>\$ 486,016</b>	<b>\$ 350,812</b>

At June 30, 2020 and 2019, the Authority reported \$365,245 and \$350,996, 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, 2020 and 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPERS at June 30, 2020, will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Total</u>
2021	\$ (38,906)
2022	(42,406)
2023	(21,072)
	<u>\$ (102,384)</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurements:

	<u>2019</u>	<u>2018</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, 2019 and 2018, 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:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
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% for the years ended June 30, 2020 and 2019. 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:

	2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority’s proportionate share of the net pension liability (asset)	\$ 1,550,996	\$ 165,923	\$ (1,008,355)
	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)

**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, 2020 and 2019, the Authority reported a payable of approximately \$60,000 and \$51,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2020 and 2019.

**Note 8 - Restricted and Designated Net Position**

At June 30, 2020 and 2019, \$602,144 and \$493,276, 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, 2020 and 2019, \$3,575 and \$3,541, was available for the purpose of capital acquisitions of the Nursing Home.

**Note 9 - 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, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	33%	27%
Medicaid	14%	10%
Commercial insurance	26%	27%
Other third-party payors and patients	27%	36%
	<u>100%</u>	<u>100%</u>

**Note 10 - 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 \$64,000 and \$82,000 during the years ended June 30, 2020 and 2019.

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

**Note 11 - 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.

### **COVID-19 Pandemic**

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Authority is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Authority is not known.



**Note 12 - 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, 2020.

Statement of net position as of June 30, 2020:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Assets and deferred outflows of resources				
Assets				
Current assets	\$ 5,428,350	\$ 635,073	\$ (32,929)	\$ 6,030,494
Capital assets, net	623,606	125,004	-	748,610
Other assets	1,633,862	-	-	1,633,862
Total assets	<u>7,685,818</u>	<u>760,077</u>	<u>(32,929)</u>	<u>8,412,966</u>
Deferred outflows of resources	<u>391,796</u>	<u>-</u>	<u>-</u>	<u>391,796</u>
Total assets and deferred outflows of resources	<u>\$ 8,077,614</u>	<u>\$ 760,077</u>	<u>\$ (32,929)</u>	<u>\$ 8,804,762</u>
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Current liabilities	\$ 3,821,105	\$ 32,929	\$ (32,929)	\$ 3,821,105
Long-term liabilities	598,557	-	-	598,557
Total liabilities	<u>4,419,662</u>	<u>32,929</u>	<u>(32,929)</u>	<u>4,419,662</u>
Deferred inflows of resources	<u>124,381</u>	<u>-</u>	<u>-</u>	<u>124,381</u>
Net position				
Net investment in capital assets	623,606	125,004	-	748,610
Restricted - expendable for				
Capital acquisitions	3,575	-	-	3,575
Specific operating activities	-	602,144	-	602,144
Unrestricted	2,906,390	-	-	2,906,390
Total net position	<u>3,533,571</u>	<u>727,148</u>	<u>-</u>	<u>4,260,719</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,077,614</u>	<u>\$ 760,077</u>	<u>\$ (32,929)</u>	<u>\$ 8,804,762</u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

Operating results and changes in net position for the year ended June 30, 2020:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Operating revenues				
Net patient and resident service revenue	\$ 5,667,555	\$ -	\$ -	\$ 5,667,555
Community pharmacy revenue	1,390,007	-	-	1,390,007
Other operating revenue	<u>168,121</u>	<u>-</u>	<u>-</u>	<u>168,121</u>
Total operating revenues	<u>7,225,683</u>	<u>-</u>	<u>-</u>	<u>7,225,683</u>
Operating expenses				
Depreciation	109,216	39,802	-	149,018
Other operating expenses	<u>8,153,565</u>	<u>310,801</u>	<u>-</u>	<u>8,464,366</u>
Total operating expenses	<u>8,262,781</u>	<u>350,603</u>	<u>-</u>	<u>8,613,384</u>
Operating loss	(1,037,098)	(350,603)	-	(1,387,701)
Nonoperating revenues	<u>640,088</u>	<u>419,669</u>	<u>-</u>	<u>1,059,757</u>
Change in net position	(397,010)	69,066	-	(327,944)
Net position, beginning of year	<u>3,930,581</u>	<u>658,082</u>	<u>-</u>	<u>4,588,663</u>
Net position, end of year	<u>\$ 3,533,571</u>	<u>\$ 727,148</u>	<u>\$ -</u>	<u>\$ 4,260,719</u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

Cash flows for the year ended June 30, 2020:

	Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
Net cash used for operating activities	\$ (953,203)	\$ (303,814)	\$ -	\$ (1,257,017)
Net cash from noncapital financing activities	4,146,683	399,002	-	4,545,685
Net cash used for capital and capital related financing activities	(36,268)	-	-	(36,268)
Net cash from (used for) capital and capital investing activities	<u>(1,988,365)</u>	<u>7,303</u>	<u>-</u>	<u>(1,981,062)</u>
Net change in cash and cash equivalents	1,168,847	102,491	-	1,271,338
Cash and cash equivalents, beginning of year	<u>324,587</u>	<u>358,397</u>	<u>-</u>	<u>682,984</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,493,434</u></u>	<u><u>\$ 460,888</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,954,322</u></u>

The Beaver County Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

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>-</u>	<u>-</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 obligation	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>-</u>	<u>-</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	<u>3,226,511</u>	<u>-</u>	<u>-</u>	<u>3,226,511</u>
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, 2020 and 2019

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	157,377	-	-	157,377
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	7,792,635	210,111	-	8,002,746
Total operating expenses	<u>7,975,304</u>	<u>246,915</u>	<u>-</u>	<u>8,222,219</u>
Operating loss	<u>(554,143)</u>	<u>(246,915)</u>	<u>-</u>	<u>(801,058)</u>
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, 2020 and 2019

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 for) operating activities	\$ (1,258,850)	\$ 6,427	\$ -	\$ (1,252,423)
Net cash from noncapital financing activities	463,325	477,116	-	940,441
Net cash used for capital and capital related financing activities	(81,852)	(128,935)	-	(210,787)
Net cash from (used for) investing activities	<u>(730,705)</u>	<u>3,789</u>	<u>-</u>	<u>(726,916)</u>
Net change in cash and cash equivalents	(1,608,082)	358,397	-	(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>\$ 324,587</u>	<u>\$ 358,397</u>	<u>\$ -</u>	<u>\$ 682,984</u>

**Note 13 - Subsequent Events**

The Medical Center has evaluated subsequent events through April 14, 2021 the date which the financial statements were available to be issued.

In July 2020, the Authority received a \$78,499 grant to be used to support healthcare related expenses attributable to COVID-19.



Required Supplementary Information  
June 30, 2020 and 2019

# 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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.12932%	0.14023%	0.13290%	0.09109%	0.11721%	0.14655%
Authority's proportionate share of the net pension liability	\$ 172,239	\$ 273,499	\$ 718,529	\$ 903,790	\$ 421,572	\$ 269,000
Authority's covered-employee payroll	\$ 3,052,139	\$ 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	5.64%	8.65%	21.78%	29.49%	11.18%	7.64%
Plan fiduciary net position as a percentage of the total pension liability	98.63%	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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 365,245	\$ 350,996	\$ 363,448	\$ 379,350	\$ 352,499	\$ 433,516
Contributions in relation to the statutorily required contribution	<u>365,245</u>	<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>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 3,176,043	\$ 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%	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, 2020 and 2019

# 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, 2020 and 2019 and our report thereon dated April 14, 2021, 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.

Oklahoma City, Oklahoma  
April 14, 2021

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The Beaver County Hospital Authority  
Combining Schedule – Statement of Net Position Information  
June 30, 2020

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medical Services	Eliminations	Combined Total
<b>Assets and Deferred Outflows of Resources</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 689,560	\$ 498,373	\$ -	\$ 1,187,933	\$ 460,888	\$ -	\$ 1,648,821
Restricted cash and cash equivalents	237,745	67,756	-	305,501	-	-	305,501
Restricted short-term certificates of deposit	2,500,000	-	-	2,500,000	-	-	2,500,000
Patient and resident receivables, net of estimated uncollectibles of \$262,000	489,983	156,148	-	646,131	-	-	646,131
Due from related parties	170,532	1,666	(139,269)	32,929	-	(32,929)	-
County appropriations receivable	-	65,989	-	65,989	174,185	-	240,174
Estimated amounts due from third-party payors	360,024	-	-	360,024	-	-	360,024
Supplies	318,254	10,898	-	329,152	-	-	329,152
Prepaid expenses and other	691	-	-	691	-	-	691
<b>Total current assets</b>	<b>4,766,789</b>	<b>800,830</b>	<b>(139,269)</b>	<b>5,428,350</b>	<b>635,073</b>	<b>(32,929)</b>	<b>6,030,494</b>
<b>Capital Assets</b>							
Capital assets not being depreciated	33,231	12,000	-	45,231	7,500	-	52,731
Capital assets being depreciated, net	367,909	210,466	-	578,375	117,504	-	695,879
<b>Total capital assets</b>	<b>401,140</b>	<b>222,466</b>	<b>-</b>	<b>623,606</b>	<b>125,004</b>	<b>-</b>	<b>748,610</b>
<b>Other Assets</b>							
Noncurrent investments	1,583,539	-	-	1,583,539	-	-	1,583,539
Other	26,644	23,679	-	50,323	-	-	50,323
<b>Total other assets</b>	<b>1,610,183</b>	<b>23,679</b>	<b>-</b>	<b>1,633,862</b>	<b>-</b>	<b>-</b>	<b>1,633,862</b>
<b>Total assets</b>	<b>6,778,112</b>	<b>1,046,975</b>	<b>(139,269)</b>	<b>7,685,818</b>	<b>760,077</b>	<b>(32,929)</b>	<b>8,412,966</b>
<b>Deferred Outflows of Resources</b>	<b>207,651</b>	<b>184,145</b>	<b>-</b>	<b>391,796</b>	<b>-</b>	<b>-</b>	<b>391,796</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,985,763</b>	<b>\$ 1,231,120</b>	<b>\$ (139,269)</b>	<b>\$ 8,077,614</b>	<b>\$ 760,077</b>	<b>\$ (32,929)</b>	<b>\$ 8,804,762</b>

The Beaver County Hospital Authority  
Combining Schedule – Statement of Net Position Information  
June 30, 2020

	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							
Current maturities of long-term debt	\$ 210,092	\$ 124,602	\$ -	\$ 334,694	\$ -	\$ -	\$ 334,694
Accounts payable	177,598	91,320	-	268,918	-	-	268,918
Due to related parties	-	139,269	(139,269)	-	32,929	(32,929)	-
Accrued expense	277,169	138,398	-	415,567	-	-	415,567
Refundable advance	2,737,745	64,181	-	2,801,926	-	-	2,801,926
Total current liabilities	3,402,604	557,770	(139,269)	3,821,105	32,929	(32,929)	3,821,105
Long-Term Liabilities							
Long-term debt, less current maturities	267,605	158,713	-	426,318	-	-	426,318
Net pension obligations	91,666	80,573	-	172,239	-	-	172,239
Total long-term liabilities	359,271	239,286	-	598,557	-	-	598,557
Total liabilities	3,761,875	797,056	(139,269)	4,419,662	32,929	(32,929)	4,419,662
Deferred Inflows of Resources	65,923	58,458	-	124,381	-	-	124,381
Net Position							
Net investment in capital assets	401,140	222,466	-	623,606	125,004	-	748,610
Restricted - expendable for							
Capital acquisitions	-	3,575	-	3,575	-	-	3,575
Specific operating activities	-	-	-	-	602,144	-	602,144
Unrestricted	2,756,825	149,565	-	2,906,390	-	-	2,906,390
Total net position	3,157,965	375,606	-	3,533,571	727,148	-	4,260,719
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,985,763</u>	<u>\$ 1,231,120</u>	<u>\$ (139,269)</u>	<u>\$ 8,077,614</u>	<u>\$ 760,077</u>	<u>\$ (32,929)</u>	<u>\$ 8,804,762</u>

The Beaver County Hospital Authority  
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2020

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority	Beaver County Emergency Medial Services	Eliminations	Combined Total
<b>Operating revenues</b>							
Net patient and resident service revenue, net of provision for bad debts of \$372,121	\$ 3,341,492	\$ 2,326,063	\$ -	\$ 5,667,555	\$ -	\$ -	\$ 5,667,555
Community pharmacy revenue	1,390,007	-	-	1,390,007	-	-	1,390,007
Other	32,510	165,163	(29,552)	168,121	-	-	168,121
<b>Total operating revenues</b>	<b>4,764,009</b>	<b>2,491,226</b>	<b>(29,552)</b>	<b>7,225,683</b>	<b>-</b>	<b>-</b>	<b>7,225,683</b>
<b>Operating Expenses</b>							
Salaries and wages	2,312,385	1,458,773	-	3,771,158	154,372	-	3,925,530
Employee benefits	570,396	452,370	-	1,022,766	19,103	-	1,041,869
Purchased services and professional fees	798,499	284,274	-	1,082,773	80,715	-	1,163,488
Supplies and other	1,625,264	681,156	(29,552)	2,276,868	56,611	-	2,333,479
Depreciation	73,434	35,782	-	109,216	39,802	-	149,018
<b>Total operating expenses</b>	<b>5,379,978</b>	<b>2,912,355</b>	<b>(29,552)</b>	<b>8,262,781</b>	<b>350,603</b>	<b>-</b>	<b>8,613,384</b>
<b>Operating Loss</b>	<b>(615,969)</b>	<b>(421,129)</b>	<b>-</b>	<b>(1,037,098)</b>	<b>(350,603)</b>	<b>-</b>	<b>(1,387,701)</b>
<b>Nonoperating Revenues (Expenses)</b>							
County appropriations - unrestricted	-	381,396	-	381,396	-	-	381,396
County appropriations - restricted	56,409	-	-	56,409	402,307	-	458,716
Investment income	48,270	1,869	-	50,139	7,303	-	57,442
Provider relief funds	-	140,819	-	140,819	-	-	140,819
Loss of sale of assets	(3,975)	-	-	(3,975)	-	-	(3,975)
Noncapital grants and gifts	11,900	3,400	-	15,300	10,059	-	25,359
<b>Total nonoperating revenues</b>	<b>112,604</b>	<b>527,484</b>	<b>-</b>	<b>640,088</b>	<b>419,669</b>	<b>-</b>	<b>1,059,757</b>
<b>Change in Net Position</b>	<b>(503,365)</b>	<b>106,355</b>	<b>-</b>	<b>(397,010)</b>	<b>69,066</b>	<b>-</b>	<b>(327,944)</b>
<b>Net Position, Beginning of Year</b>	<b>3,661,330</b>	<b>269,251</b>	<b>-</b>	<b>3,930,581</b>	<b>658,082</b>	<b>-</b>	<b>4,588,663</b>
<b>Net Position, End of Year</b>	<b>\$ 3,157,965</b>	<b>\$ 375,606</b>	<b>\$ -</b>	<b>\$ 3,533,571</b>	<b>\$ 727,148</b>	<b>\$ -</b>	<b>\$ 4,260,719</b>

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
<b>Assets and Deferred Outflows of Resources</b>							
<b>Current Assets</b>							
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 to 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
<b>Total current assets</b>	<b>1,554,938</b>	<b>343,768</b>	<b>(104,788)</b>	<b>1,793,918</b>	<b>519,218</b>	<b>(25,942)</b>	<b>2,287,194</b>
<b>Capital Assets</b>							
Capital assets not being depreciated	33,231	12,000	-	45,231	7,500	-	52,731
Capital assets being depreciated, net	415,045	240,253	-	655,298	157,306	-	812,604
<b>Total capital assets</b>	<b>448,276</b>	<b>252,253</b>	<b>-</b>	<b>700,529</b>	<b>164,806</b>	<b>-</b>	<b>865,335</b>
<b>Other Assets</b>							
Noncurrent investments	2,045,035	-	-	2,045,035	-	-	2,045,035
Other	9,617	8,579	-	18,196	-	-	18,196
<b>Total other assets</b>	<b>2,054,652</b>	<b>8,579</b>	<b>-</b>	<b>2,063,231</b>	<b>-</b>	<b>-</b>	<b>2,063,231</b>
<b>Total assets</b>	<b>4,057,866</b>	<b>604,600</b>	<b>(104,788)</b>	<b>4,557,678</b>	<b>684,024</b>	<b>(25,942)</b>	<b>5,215,760</b>
<b>Deferred Outflows of Resources</b>	<b>352,644</b>	<b>312,723</b>	<b>-</b>	<b>665,367</b>	<b>-</b>	<b>-</b>	<b>665,367</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,410,510</b>	<b>\$ 917,323</b>	<b>\$ (104,788)</b>	<b>\$ 5,223,045</b>	<b>\$ 684,024</b>	<b>\$ (25,942)</b>	<b>\$ 5,881,127</b>

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 Obligation	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
<b>Operating revenues</b>							
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
<b>Total operating revenues</b>	<b>5,125,441</b>	<b>2,331,659</b>	<b>(35,939)</b>	<b>7,421,161</b>	<b>-</b>	<b>-</b>	<b>7,421,161</b>
<b>Operating Expenses</b>							
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
<b>Total operating expenses</b>	<b>5,390,769</b>	<b>2,620,474</b>	<b>(35,939)</b>	<b>7,975,304</b>	<b>246,915</b>	<b>-</b>	<b>8,222,219</b>
<b>Operating Loss</b>	<b>(265,328)</b>	<b>(288,815)</b>	<b>-</b>	<b>(554,143)</b>	<b>(246,915)</b>	<b>-</b>	<b>(801,058)</b>
<b>Nonoperating Revenues (Expenses)</b>							
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
<b>Total nonoperating revenues</b>	<b>122,239</b>	<b>396,038</b>	<b>-</b>	<b>518,277</b>	<b>475,529</b>	<b>-</b>	<b>993,806</b>
<b>Change in Net Position</b>	<b>(143,089)</b>	<b>107,223</b>	<b>-</b>	<b>(35,866)</b>	<b>228,614</b>	<b>-</b>	<b>192,748</b>
<b>Net Position, Beginning of Year</b>	<b>3,804,419</b>	<b>162,028</b>	<b>-</b>	<b>3,966,447</b>	<b>429,468</b>	<b>-</b>	<b>4,395,915</b>
<b>Net Position, End of Year</b>	<b>\$ 3,661,330</b>	<b>\$ 269,251</b>	<b>\$ -</b>	<b>\$ 3,930,581</b>	<b>\$ 658,082</b>	<b>\$ -</b>	<b>\$ 4,588,663</b>



**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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 14, 2021.

**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) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses to be material weaknesses: 2020-001 through 2020-003.

**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 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*.

**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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
April 14, 2021

## Findings – Financial Statements Audit – Internal Controls over Financial Reporting

### Material Weaknesses

#### 2020-001 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.

#### 2020-002 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.

*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.

### **2020-003      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, long-term debt and third-party payor settlements.

*Cause:* There was no control in place to estimate the amounts of cost report settlements or pension liability or a review to detect the loan posting error.

*Effect:* Material audit adjustments were made to deferred inflows/outflows of resources, pension liabilities, long-term debt and Medicare cost report settlements.

*Auditor's Recommendation:* It is recommended the Hospital implement a system that provides adequate controls over estimating cost report settlements and pension liabilities, and establish a review process to detect posting errors.

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