

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)

Financial Statements
with Independent Auditor's Report

December 31, 2020



Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)

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December 31, 2020

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Independent Auditor's Report

Board of Trustees
Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
Blackwell, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Blackwell Hospital Trust Authority *dba* Blackwell Regional Hospital (the Authority), a component unit of the City of Blackwell, Oklahoma as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. 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 from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2020 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Authority's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022 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 result 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 Blackwell Hospital Trust Authority's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
June 27, 2022



Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
 Balance Sheets
 December 31, 2020

	2020
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 1,074,249
Prepaid expenses and other	77,500
Total current assets	1,151,749
Noncurrent Cash Held by Trustee for Specific Capital Acquisition	11,156,197
Capital Assets, Net	8,837,175
Note Receivable	17,782,500
Total assets	38,927,621
Deferred Outflows of Resources	1,000,000
Total assets and deferred outflows of resources	\$ 39,927,621
Liabilities and Net Position	
Current Liabilities	
Accounts payable and accrued expenses	\$ 1,279,392
Current maturities of long-term debt	384,487
Total current liabilities	1,663,879
Long-Term Debt	41,201,369
Total liabilities	42,865,248
Net Position	
Net investment in capital assets	-
Unrestricted	(2,937,627)
Total net position	(2,937,627)
Total liabilities and net position	\$ 39,927,621

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020

	2020
Operating Revenues	
Lease income	\$ -
Other	15,475
Total operating revenues	15,475
Operating Expenses	
Hospital operations expense	65,157
Purchased services and professional fees	137,285
Supplies and other expenses	8,671
Lease expense BHTA Holding	-
Depreciation	152,641
Total operating expenses	363,754
Operating Loss	(348,279)
Nonoperating Revenues (Expenses)	
Investment income	746,384
Interest expense	(1,662,869)
Total nonoperating revenues (expenses)	(916,485)
Deficiency of Revenues over Expenses Before Contributions	(1,264,764)
Contribution from the City of Blackwell	1,813,904
Increase in Net Position	549,140
Net Position (Deficit), <i>Beginning of Year</i>	(3,486,767)
Net Position (Deficit), <i>End of Year</i>	\$ (2,937,627)

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
Statement of Cash Flows
Years Ended December 31, 2020

	2020
Cash Flows from Operating Activities	
Receipts from lease and other	\$ 1,142,511
Payments to suppliers and contractors	(426,982)
Other receipts (payments), net	15,475
Net cash provided by (used in) operating activities	731,004
 Cash Flows from Noncapital Financing Activities	
Noncapital appropriations - City of Blackwell	1,911,634
Net cash provided by (used in) noncapital financing activities	1,911,634
 Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	(364,144)
Interest paid on long-term debt	(1,662,869)
Purchase of capital assets	(7,040,630)
Net cash provided by (used in) capital and related financing activities	(9,067,643)
 Cash Flows from Investing Activities	
Interest on investments	746,384
Net cash provided by (used in) noncapital investing activities	746,384
 Increase (Decrease) in Cash and Cash Equivalents	(5,678,621)
 Cash and Cash Equivalents, <i>Beginning of Year</i>	17,909,067
 Cash and Cash Equivalents, <i>End of Year</i>	\$ 12,230,446

(Continued)

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
 Statement of Cash Flows
 Years Ended December 31, 2020
 (Continued)

	2020
Reconciliation of Cash and Cash Equivalents to Balance Sheets	
Cash in current assets	\$ 1,074,249
Cash in noncurrent cash and investments	11,156,197
Total cash and cash equivalents	\$ 12,230,446
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (348,279)
Depreciation	152,641
Changes in operating assets and liabilities	
Patient accounts receivable, net	1,142,511
Estimated amounts due to/from third-party payors	(237,530)
Accounts payable and accrued expenses	(127,080)
Supplies, prepaid expenses, and other receivables	148,741
Net cash provided by (used in) operating activities	\$ 731,004
Noncash Investing, Capital, and Financing Activities	
Capital asset contributions to BHTA Holdings, Inc.	\$ 403,872

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
Notes to Financial Statements
December 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Blackwell Hospital Trust Authority *dba* Blackwell Regional Hospital (the Authority) is a public trust and an agency of the state of Oklahoma. The Authority is a component unit of the City of Blackwell, Oklahoma (the City), as the Blackwell City Council appoints the majority of the members of the Board of Trustees of the Authority. The Authority operates, as its sole activity, Blackwell Regional Hospital under the terms of a trust indenture originally dated July 1, 1985. Effective September 3, 2016, the Authority began earning revenue primarily by providing inpatient, outpatient, and emergency care services to patients in Blackwell, Oklahoma, and surrounding communities. The Authority also operates a physician clinic in the same geographic area.

The accompanying financial statements include the accounts of the Authority and its blended component unit, BHTA Holdings, Inc. (Holdings). The entity is a blended component unit as it is an entity for which the Authority is considered to be financially accountable. Holdings is a corporation organized in November 2019 to own, hold, and manage real and personal property. Separate financial statements for Holdings can be obtained by contacting the Authority's administrative office.

Basis of Accounting Presentation

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government mandated or voluntary nonexchange transactions that are not program-specific (such as county appropriations), property taxes, investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
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Notes to Financial Statements
December 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020, cash equivalents consisted of money market accounts.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the Authority:

Buildings	40 years
Major moveable and fixed equipment	3 - 13 years

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2020.

Deferred Outflows of Resources

The Authority reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Blackwell Hospital Trust Authority
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Notes to Financial Statements
December 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Risk Management

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

Effective April 1, 2018, the Authority is self-insured for a portion of its exposure to the risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

Net position of the Authority is classified in two components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Income Taxes

As an essential government function of the City, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority is subject to federal income tax on any unrelated business taxable income.

City Appropriations

Effective October 1, 2016, the citizens of the City approved a 1% sales tax for the operations of the Authority for a five-year term. During 2019, the citizens of the City approved an extension of this sales tax through 2046. The City collects the sales tax and remits it monthly to the Authority. The Authority received approximately 57% of its financial support from city appropriations related to the sales tax during 2020. Revenue from city appropriations is recognized in the period in which the sales tax is earned.

Blackwell Hospital Trust Authority
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 Notes to Financial Statements
 December 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies
 (Continued)

Subsequent Events

Subsequent events have been evaluated through June 27, 2022, the date the financial statements were available to be issued.

Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires the collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

At December 31, 2020, \$11,677,446 of the Authority's bank balances of \$12,177,446, were exposed to custodial credit risk.

Note 3: Capital Assets

Capital asset activity for the years ended December 31, 2020 was:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 69,794	\$ -	\$ -	\$ 69,794
Buildings	1,963,385	-	-	1,963,385
Medical equipment	787,221	23,757	-	810,978
Furniture and equipment	20,796	116,512	-	137,308
Construction in progress	454,478	6,900,361	-	7,354,839
	<u>3,295,674</u>	<u>7,040,630</u>	-	<u>10,336,304</u>
Less accumulated depreciation	<u>(1,346,488)</u>	<u>(152,641)</u>	<u>-</u>	<u>(1,499,129)</u>
Capital assets, net	<u>\$ 1,949,186</u>	<u>\$ 6,887,989</u>	<u>\$ -</u>	<u>\$ 8,837,175</u>

Blackwell Hospital Trust Authority
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 Notes to Financial Statements
 December 31, 2020

Note 4: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note payable, bank (a)	\$ 17,700,000	\$ -	\$ (364,144)	\$ 17,335,856	\$ 384,487
Note payable, third party (b)	17,782,500	-	-	17,782,500	-
Note payable, third party (c)	<u>6,467,500</u>	<u>-</u>	<u>-</u>	<u>6,467,500</u>	<u>-</u>
Capital assets, net	<u>\$ 41,950,000</u>	<u>\$ -</u>	<u>\$ (364,144)</u>	<u>\$ 41,585,856</u>	<u>\$ 384,487</u>

Authority Notes Payable to Bank

The Authority entered into a note payable with BancFirst to finance the acquisition and construction of certain assets through the NMTC transaction. This note payable included original principal balances of (a) \$17,700,000. The notes are secured by certain accounts and assets. The note is due December 2044, with principal and interest at 4.75%, payable monthly.

Holdings Notes Payable to Third Party

Holdings entered into two notes payable with REI Subsidiary CDE20, LLC (the Lender) with principal balances of (b) \$17,782,500 and (c) \$6,467,500. These notes financed the acquisition of certain building improvements, which are to be leased to Stillwater Medical Center Authority (SMCA) upon completion of acquisition and construction. The notes are secured by certain capital assets. Both notes (b) and (c) are due December 2049, with interest at 1.00%. Interest only payments payable quarterly through December 2026. Commencing December 2026, payments will be made in quarterly installments of principal and interest in amounts sufficient to fully amortize the principal balance of the loans as of the maturity date.

Debt future maturities as of December 31, 2020 are as follows:

	<u>Principal</u>
2021	\$ 384,487
2022	403,418
2023	423,281
2024	441,926
2025	465,881
Thereafter	<u>39,466,863</u>
	<u>\$ 41,585,856</u>

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
 Notes to Financial Statements
 December 31, 2020

Note 5: Note Receivable

The following is a summary of note receivable transactions for the Authority for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note receivable from third party	\$ <u>17,782,500</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>17,782,500</u>	\$ <u>-</u>

As a component of the NMTC financing transaction, the Authority loaned \$17,782,500 to BF Blackwell Investment Fund, (the Investment Fund). This balance is included as note receivable on the accompanying balance sheets. The note receivable is effective December 2019, matures December 2044, and bears interest at 1.36%. The note receivable is payable in quarterly interest installments through December 2026. Commencing December 2026, payments will be made in quarterly installments of principal and interest in amounts sufficient to fully amortize the principal balance of the loans as of the maturity date.

Payments to be received on the note receivable as of December 31, 2020, are as follows:

	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 245,832	\$ -	\$ 245,832
2022	245,832	-	245,832
2023	245,832	-	245,832
2024	246,505	-	246,505
2025	245,832	-	245,832
Thereafter	<u>20,355,465</u>	<u>17,782,500</u>	<u>2,572,965</u>
	<u>\$ 21,585,298</u>	<u>\$ 17,782,500</u>	<u>\$ 3,802,798</u>

Note 6: Contingencies

Litigation

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
Notes to Financial Statements
December 31, 2020

Note 7: Operations Agreement

Effective January 1, 2020, the Authority entered into an agreement with SMCA to lease facility and all the operations for Blackwell Regional Hospital. The initial term of the lease is seven years. The agreement specifies rent to be calculated based on the Operating Margin SMCA receives from its operation of the property in excess of 5% per annum for the year measured on a cumulative basis over the term of the lease will be paid by SMCA to the authority as rent, not to exceed \$240,000 per year. A reserve of \$1,300,000 has been paid to SMCA for the anticipated operating losses to be incurred prior to the completion of the new facility. If losses exceed the reserve, SMCA has the right to setoff against any rent due amounts paid by SMCA in excess of the reserve up to \$750,000. As of December 31, 2020, no rental revenue has been earned based on the operating margin of SMCA and payments made by SMCA are not in excess of reserve.

Note 8: New Markets Tax Credit Transaction

On December 27, 2019, the Authority entered into a NMTC financing transaction to fund construction of a new hospital building. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2026 for the Authority's project. As part of this financing arrangement, the Authority took out notes payable from the NMTC investor, BancFirst, in the amount of \$22,320,862. The Authority then issued a \$17,782,500 note receivable to the Investment Fund. See Note 5 for additional information. The Investment Fund in turn made an investment in the Lender and holds a 99.99% investor member interest in the Lender. The Lender made loans totaling \$24,250,000 to the Authority's project. See Note 8 for additional information. As part of this financing arrangement, the Authority entered into a put/call agreement to take place at the end of the seven-year tax credit period. At the end of the seven-year term, a put/call agreement may be exercised whereby BancFirst's interest in the Investment Fund is sold to the Authority under terms defined in the put/call agreement.

As a component of the NMTC financing transaction, the Authority contributed \$5,048,445 to the Blackwell Facilities Authority.

Other Supplemental Information

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
 Combining Balance Sheet
 December 31, 2020

	<u>Authority</u>	<u>Holding</u>	<u>Eliminations</u>	<u>Combined Balance</u>
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 1,074,249	\$ -	\$ -	\$ 1,074,249
Prepaid expenses and other	-	77,500	-	77,500
Total current assets	<u>1,074,249</u>	<u>77,500</u>	<u>-</u>	<u>1,151,749</u>
Noncurrent Cash Held by Trustee for Specific Capital Acquisition	-	11,156,197	-	11,156,197
Capital Assets, Net	-	8,837,175	-	8,837,175
Note Receivable	<u>17,782,500</u>	<u>-</u>	<u>-</u>	<u>17,782,500</u>
Total assets	18,856,749	20,070,872	-	38,927,621
Deferred Outflows of Resources	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total assets and deferred outflows of resources	<u>\$ 18,856,749</u>	<u>\$ 21,070,872</u>	<u>\$ -</u>	<u>\$ 39,927,621</u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued expenses	\$ -	\$ 1,279,392	\$ -	\$ 1,279,392
Current maturities of long-term debt	384,487	-	-	384,487
Total current liabilities	<u>384,487</u>	<u>1,279,392</u>	<u>-</u>	<u>1,663,879</u>
Long-Term Debt	<u>16,951,369</u>	<u>24,250,000</u>	<u>-</u>	<u>41,201,369</u>
Total liabilities	<u>17,335,856</u>	<u>25,529,392</u>	<u>-</u>	<u>42,865,248</u>
Net Position				
Net investment in capital assets	-	-	-	-
Unrestricted	1,520,893	(4,458,520)	-	(2,937,627)
Total net position	<u>1,520,893</u>	<u>(4,458,520)</u>	<u>-</u>	<u>(2,937,627)</u>
Total liabilities and net position	<u>\$ 18,856,749</u>	<u>\$ 21,070,872</u>	<u>\$ -</u>	<u>\$ 39,927,621</u>

Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2020

	<u>Authority</u>	<u>Holding</u>	<u>Eliminations</u>	<u>Combined Balance</u>
Operating Revenues				
Lease income	\$ -	\$ 636,000	\$ (636,000)	\$ -
Other	<u>-</u>	<u>15,475</u>	<u>-</u>	<u>15,475</u>
Total operating revenues	<u>-</u>	<u>651,475</u>	<u>(636,000)</u>	<u>15,475</u>
Operating Expenses				
Hospital operations expense	65,157	-	-	65,157
Purchased services and professional fees	123,712	13,573	-	137,285
Supplies and other expenses	8,500	171	-	8,671
Lease expense BHTA Holding	636,000	-	(636,000)	-
Depreciation	<u>-</u>	<u>152,641</u>	<u>-</u>	<u>152,641</u>
Total operating expenses	<u>833,369</u>	<u>166,385</u>	<u>(636,000)</u>	<u>363,754</u>
Operating Loss	(833,369)	485,090	-	(348,279)
Nonoperating Revenues (Expenses)				
Investment income	687,254	59,130	-	746,384
Interest expense	<u>(847,289)</u>	<u>(815,580)</u>	<u>-</u>	<u>(1,662,869)</u>
Total nonoperating revenues (expenses)	<u>(160,035)</u>	<u>(756,450)</u>	<u>-</u>	<u>(916,485)</u>
Deficiency of Revenues over Expenses Before Contributions	(993,404)	(271,360)	-	(1,264,764)
Contribution from the City of Blackwell	1,813,904	-	-	1,813,904
Contribution to and from Blackwell Facilities Authority	<u>403,872</u>	<u>(403,872)</u>	<u>-</u>	<u>-</u>
Decrease in Net Position	1,224,372	(675,232)	-	549,140
Net Position, Beginning of Year	<u>296,521</u>	<u>(3,783,288)</u>	<u>-</u>	<u>(3,486,767)</u>
Net Position, End of Year	<u>\$ 1,520,893</u>	<u>\$ (4,458,520)</u>	<u>\$ -</u>	<u>\$ (2,937,627)</u>

Reports Required by Government Auditing Standards



**HINKLE &
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Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
Blackwell, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - modified cash basis of the business-type activities of Blackwell Hospital Trust Authority (the Authority), as of and for the year ended December 31, 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 June 27, 2022.

Internal Control over Financial Reporting

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

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 Authority'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be a material weaknesses.

Compliance and Other Matters

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

Management's Responses to the Findings

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Management'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.

Hick & Company, PC

Tulsa, Oklahoma
June 27, 2022



Blackwell Hospital Trust Authority
dba Blackwell Regional Hospital
(A Component Unit of the City of Blackwell, Oklahoma)
Schedule of Findings and Responses
December 31, 2020

Finding 2020-001 - Internal Control Over Reporting

Condition: Management is responsible for establishing and maintaining effective internal control over financial reporting.

Cause of Condition: During the course of the audit, we noted that management failed to properly account for beginning fund balance accounts, the effects of transfer of operations based on management service agreement with SMCA, and properly accounts for accounts payable.

Effect of Condition: Material journal entries were made to the general ledger to correct misstatements identified.

Recommendation: Management should revise the policies and procedures for year end reporting to properly account for the Authority's activity.

Management Response: Management was aware that corrections needed to be made as a result of 2019 winding down of Hospital operations (from prior set of books to a new set) to a new role as property owner/landlord. Necessary corrections have been made to reflect beginning fund balances and to properly account for those transactions going forward. Management does not foresee any issues with this in the future.

Finding 2020-002 - Cash Reconciliations

Condition: Management is responsible for establishing and maintaining effective internal control over financial reporting which includes cash accounts.

Cause of Condition: During the course of the audit, we noted that management failed to properly reconcile cash accounts on a regular basis to bank balances.

Effect of Condition: A material journal entry was made to the general ledger to correct a misstatement identified.

Recommendation: Management should revise the policies and procedures to properly reconcile cash on a monthly basis.

Management Response: Management does reconcile all cash, but had not created reports of each reconciliation. The misstatement in May 2020 identified has been corrected. Management will create monthly reports of reconciliations to alleviate this issue.