



Management's Discussion and Analysis
and Financial Statements
June 30, 2020 and 2019

Tahlequah Hospital Authority

A Component Unit of the City of Tahlequah, Oklahoma

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
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Independent Auditor's Report

The Board of Trustees
Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Tahlequah, Oklahoma

Report on the Financial Statements

We have audited the accompanying statements of net position of Tahlequah Hospital Authority (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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and preform 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 Tahlequah 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 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 March 15, 2021 on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma

March 15, 2021

This discussion and analysis of the financial performance of Tahlequah Hospital Authority (Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended June 30, 2020, 2019 and 2018. The intent of this discussion and analysis is to provide further information on the Authority's performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the Authority's financial status.

Financial Highlights

- The Authority's net position increased by \$2,256,621 or 3% in 2020 and increased by \$3,912,118 or 6% in 2019.
- The Authority reported an operating loss in 2020 of \$13,382,280 and operating income in 2019 of \$2,270,529. Operating loss increased \$15,652,809 or 689% in 2020 over 2019. Operating income increased \$1,787,481 or 370% in 2019 over 2018.
- The Authority's total assets increased \$24,600,975 or 22% in 2020 compared to 2019. Total assets increased \$4,512,058 or 4% in 2019 compared to 2018.

Using This Annual Report

The Authority's financials consist of four statements – a statement of net position; a statement of revenues and expenses; a statement of changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The 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 Statements of Net Position and Statements of Revenues and 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 Statements of Net Position and the Statements of Revenues and 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, and liabilities 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 them. You can think of the Authority's net position the difference between assets, deferred outflows of resources, and liabilities 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. The 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 and Changes in Net Position

The Authority's net position is the difference between its assets, deferred outflows of resources, and liabilities reported in the Statement of Net Position. The Authority's net position increased by \$2,256,621 or 3% in 2020 and increased \$3,912,118 or 6% in 2019, as shown in Table 1.

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

	2020	2019	2018
Assets			
Current assets	\$ 63,775,370	\$ 41,790,743	\$ 36,706,571
Capital assets	44,970,920	45,163,900	43,132,010
Other noncurrent assets	23,566,569	21,805,199	24,409,203
Total assets	132,312,859	108,759,842	104,247,784
Deferred Outflows of Resources	1,685,673	637,715	-
Total assets and deferred outflows of resources	<u>\$ 133,998,532</u>	<u>\$ 109,397,557</u>	<u>\$ 104,247,784</u>
Liabilities			
Current liabilities	\$ 18,195,398	\$ 14,759,350	\$ 14,297,238
Long-term liabilities	46,991,180	28,082,874	27,307,331
Total liabilities	65,186,578	42,842,224	41,604,569
Net Position			
Invested in capital assets, net of related debt	15,461,117	15,885,888	14,857,333
Unrestricted	52,796,174	50,062,355	47,223,576
Noncontrolling interest in joint venture	554,663	607,090	562,306
Total net position	68,811,954	66,555,333	62,643,215
Total liabilities and net position	<u>\$ 133,998,532</u>	<u>\$ 109,397,557</u>	<u>\$ 104,247,784</u>

A significant component of the change in the Authority's assets is the increase in cash and cash equivalents, patient receivables and capital assets. Cash and cash equivalents increased in 2020 by \$18,190,304 or 247% and increased in 2019 by \$207,248 or 3%. The increase in 2020 is due to funds received from Provider Relief Funds and CMS Advance Payments. Patient receivables decreased in 2020 by \$2,020,572 or 9% and increased in 2019 by \$849,849 or 4%. The decrease in 2020 is due to a decrease in services provided by the Authority. The increase in 2019 is due to an increase in services provided by the Authority. Capital assets decreased in 2020 by \$192,980 or 0.4% and increased in 2019 by \$2,031,890 or 5%. The decrease in 2020 is due to depreciation expense being greater than the purchase of capital assets. The increase in 2019 is due to the purchase of new capital assets and construction of the medical park building.

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Management's Discussion and Analysis

Table 2: Operating Results

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Net patient service revenue	\$ 98,331,956	\$ 110,109,351	\$ 103,313,371
Other revenue	6,911,899	8,726,852	5,278,671
Total operating revenues	<u>105,243,855</u>	<u>118,836,203</u>	<u>108,592,042</u>
Expenses			
Nursing services	32,014,689	27,908,754	27,087,339
Other professional services	52,405,998	55,717,277	51,083,529
General services	9,118,310	9,047,835	8,126,665
Administrative services	19,827,577	19,808,881	18,037,852
Other expenses	799,006	788,152	584,616
Depreciation and amortization	4,460,555	3,294,775	3,188,993
Total expenses	<u>118,626,135</u>	<u>116,565,674</u>	<u>108,108,994</u>
Operating (Loss) Income	<u>(13,382,280)</u>	<u>2,270,529</u>	<u>483,048</u>
Nonoperating Revenue (Expense)			
Investment income	2,049,408	1,415,036	635,524
Provider relief funds	13,163,017	-	-
Income from joint ventures	1,975,477	1,703,273	1,627,280
Interest expense	(1,348,083)	(1,257,444)	(1,075,713)
Gain (loss)	(3,646)	1,046	(22,023)
Contributions expense	(38,323)	(23,300)	(26,750)
Nonoperating revenues, net	<u>15,797,850</u>	<u>1,838,611</u>	<u>1,138,318</u>
Revenues in Excess of Expenses	2,415,570	4,109,140	1,621,366
Noncontrolling Interest in Joint Ventures	<u>(107,522)</u>	<u>(241,806)</u>	<u>38,800</u>
Change in Net Position, Excluding Noncontrolling Interest in Joint Ventures	<u>\$ 2,308,048</u>	<u>\$ 3,867,334</u>	<u>\$ 1,660,166</u>

Operating Income

The first component of the overall change in the Authority's net position is its operating income - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Authority had an operating loss of \$13,382,280 in 2020 compared to operating income of \$2,270,529 in 2019 and operating income of \$483,048 in 2018.

The primary components of the operating loss are:

- Net patient service revenue decreased \$11,777,395 or 11% in 2020 and increased \$6,795,980 or 7% in 2019. The decrease in 2020 is attributed to a decrease in services provided by the Authority as a result of the COVID-19 pandemic. The increase in 2019 is attributed to an increase in services provided by the Authority.
- Other professional services expenses decreased \$3,311,279 or 6% in 2020 and increased \$4,633,748 or 9% in 2019. The decrease in 2020 is attributed to the decrease in services provided. The increase in 2019 is attributed to the Authority hiring additional employees and increased cost of supplies.
- Nursing services expenses increased \$4,105,935 or 15% in 2020 and increased \$821,415 or 3% in 2019. The increases in 2020 and 2019 is attributed to increased cost of contract labor, supplies and purchased services.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, provider relief funds, income from joint ventures and interest expense. Investment income increased \$634,372 or 45% in 2020 and increased \$779,512 or 123% in 2019. Provider relief funds increased \$13,163,017 or 100% in 2020. Income from joint ventures increased \$272,204 or 16% in 2020 and increased \$75,993 or 5% in 2019. Interest expense increased \$90,639 or 7% in 2020 and increased \$181,731 or 17% in 2019.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier. The principal changes in the Authority's nonoperating cash flows were as follows:

- Net cash from operating activities decreased in 2020 by \$9,954,830 due to the Covid-19 pandemic, which is mitigated by cash from provider relief funds of \$8,163,017 for lost revenues reported in non capital financing activities. Cash from operations increased by \$888,513 in 2019.
- Net cash used for capital and capital related financing activities decreased in 2020 by \$1,652,473 and increased by \$694,240 in 2019.
- Net cash from non capital financing activities consisted primarily of provider relief funds of \$8,163,017 discussed in operating activities and CMS advance payments of \$19,952,520 both of which are attributable to the Covid-19 pandemic in 2020.
- Net cash from investing activities decreased in 2020 by \$1,909,667 and increased by \$3,667,598 in 2019.

Capital Assets

At the end of 2020, the Authority had \$44,970,920 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2020, the Authority purchased new capital assets costing \$4,269,531. At the end of 2019, the Authority had \$45,163,900 invested in capital assets, net of accumulated depreciation. In 2019, the Authority purchased new capital assets costing \$5,338,125.

Debt

At June 30, 2020 and 2019, the Authority issued operating debt of \$2,912,607 and \$1,698,733 in notes and capital leases. A line of credit was issued and paid off during the 2020 fiscal of \$9,000,000 to fund the conversion to their new EHR Cerner System. Also, during the year ended June 30, 2020, the Authority was issued \$19,952,520 in CMS Advanced Payments as part of the Pandemic response and is required to repay these funds beginning in April 2021 over 29 months.

Economic Factors and Next Year's Budget

The Authority continues to monitor costs throughout the year. The 2021 fiscal year operating budget indicates conservative net revenue of approximately \$116,500,000. The Authority's continued mission is to be a health care leader in the area, and to enhance services to customers in a fiscally responsible manner. The Authority strives to be conscientious, consumer oriented and dedicated to teamwork, leadership and education.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tahlequah Hospital Authority, 1400 East Downing, Tahlequah, Oklahoma 74465.

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 25,568,421	\$ 7,378,117
Board designated cash	398,111	425,697
Receivables		
Patient, net of estimated uncollectibles of \$13,602,000 in 2020 and \$15,793,000 in 2019	19,838,115	21,858,687
Other	5,942,737	5,082,897
Provider relief funds	5,000,000	-
Related parties	1,568,488	1,333,131
Estimated third-party payor settlements	527,479	1,443,974
Supplies	3,112,651	2,630,813
Prepaid expenses	1,819,368	1,637,427
Total current assets	63,775,370	41,790,743
Capital Assets, Net		
Non-depreciable capital assets	4,455,487	7,244,795
Depreciable capital assets, net	40,515,433	37,919,105
Total capital assets, net	44,970,920	45,163,900
Other Assets		
Investments in joint ventures	5,885,212	6,617,172
Assets held under deferred compensation agreement	602,697	813,327
Investments	14,119,363	12,784,484
Investment in captive insurance	1,096,112	584,761
Other	1,863,185	1,005,455
Total other assets	23,566,569	21,805,199
Deferred Outflows of Resources	1,685,673	637,715
Total assets and deferred outflows of resources	\$ 133,998,532	\$ 109,397,557

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 2,124,443	\$ 1,752,265
Current maturities of CMS advanced payment	2,300,577	-
Accounts payable	8,437,832	7,932,343
Accrued expenses		
Salaries and benefits payable	1,496,263	1,166,975
Vacation	2,600,590	2,372,422
Payroll taxes and other	1,194,501	1,529,284
Related party payable	41,192	6,061
Total current liabilities	18,195,398	14,759,350
Deferred Compensation	602,697	788,153
Long-Term Liabilities		
Long-term debt, less current maturities	27,050,867	26,657,006
CMS advanced payment, less current maturities	17,651,943	-
Other liabilities	1,685,673	637,715
Total long-term liabilities	46,388,483	27,294,721
Total liabilities	65,186,578	42,842,224
Net Position		
Net investment in capital assets	15,461,117	15,885,888
Unrestricted	52,796,174	50,062,355
Noncontrolling interest in joint ventures	554,663	607,090
Total net position	68,811,954	66,555,333
Total liabilities and net position	\$ 133,998,532	\$ 109,397,557

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Statements of Revenues and Expenses
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenue		
Net patient service revenue (net of provision for bad debts of \$21,442,957 in 2020 and \$14,199,814 in 2019)	\$ 98,331,956	\$ 110,109,351
Other revenue	6,911,899	8,726,852
Total operating revenue	105,243,855	118,836,203
Expenses		
Nursing services	32,014,689	27,908,754
Other professional services	52,405,998	55,717,277
General services	9,118,310	9,047,835
Administrative services	19,827,577	19,808,881
Other expenses	799,006	788,152
Depreciation and amortization	4,460,555	3,294,775
Total expenses	118,626,135	116,565,674
Operating (Loss) Income	(13,382,280)	2,270,529
Nonoperating Revenues (Expenses)		
Investment income	2,049,408	1,415,036
Provider relief funds	13,163,017	-
Income from joint venture	1,975,477	1,703,273
Interest expense	(1,348,083)	(1,257,444)
Gain (loss) on capital assets and lease termination	(3,646)	1,046
Contributions expense	(38,323)	(23,300)
Nonoperating revenues (expenses), net	15,797,850	1,838,611
Revenues in Excess of Expenses	2,415,570	4,109,140
Noncontrolling Interest in Joint Ventures	(107,522)	(241,806)
Change in Net Position, Excluding Noncontrolling Interest in Joint Ventures	\$ 2,308,048	\$ 3,867,334

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Statements of Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>Noncontrolling Interest</u>	<u>Controlling Interest</u>	<u>Total</u>
Net Position, June 30, 2018	\$ 561,306	\$ 62,081,909	\$ 62,643,215
Member Distributions	(197,022)	-	(197,022)
Change in Net Position	<u>241,806</u>	<u>3,867,334</u>	<u>4,109,140</u>
Net Position, June 30, 2019	606,090	65,949,243	66,555,333
Member Distributions	(158,949)	-	(158,949)
Change in Net Position	<u>107,522</u>	<u>2,308,048</u>	<u>2,415,570</u>
Net Position, June 30, 2020	<u><u>\$ 554,663</u></u>	<u><u>\$ 68,257,291</u></u>	<u><u>\$ 68,811,954</u></u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Cash received from patient services	\$ 101,269,023	\$ 106,071,285
Other operating receipts	5,816,702	6,022,470
Cash payments to suppliers for goods and services	(75,447,367)	(68,894,770)
Cash payments to and on behalf of employees for services	(39,663,575)	(41,269,372)
Net Cash (used for) from Operating Activities	<u>(8,025,217)</u>	<u>1,929,613</u>
Capital and Capital Related Financing Activities		
Payments on long-term debt	(2,146,568)	(1,615,355)
Payment of interest on long-term debt	(1,348,083)	(1,250,347)
Purchase of property and equipment	(1,356,924)	(5,338,125)
Proceeds from issuance of long-term debt	-	1,698,733
Proceeds from sale of capital assets	-	1,046
Net Cash used for Capital and Capital Related Financing Activities	<u>(4,851,575)</u>	<u>(6,504,048)</u>
Noncapital Financing Activities		
Contributions made	(38,323)	(23,300)
Interest paid on non capital financing arrangements	-	(7,097)
Proceeds from notes payable	9,000,000	-
Principal paid on notes payable	(9,000,000)	(59,883)
Provider relief funds	8,163,017	-
CMS advance payments	19,952,520	-
Net Cash from (used for) Noncapital Financing Activities	<u>28,077,214</u>	<u>(90,280)</u>
Investing Activities		
Distribution to noncontrolling interest in joint ventures	(158,949)	(197,022)
Distributions received from joint ventures	2,707,437	1,849,009
Investment income	589,365	1,340,501
Purchase of investments	(386,187)	(10,232,929)
Proceeds sale of investments	210,630	12,112,404
Net Cash from Investing Activities	<u>2,962,296</u>	<u>4,871,963</u>
Net Change in Cash and Cash Equivalents	18,162,718	207,248
Cash and Cash Equivalents, Beginning of Year	<u>7,803,814</u>	<u>7,596,566</u>
Cash and Cash Equivalents, End of Year	<u>\$ 25,966,532</u>	<u>\$ 7,803,814</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Cash and cash equivalents	\$ 25,568,421	\$ 7,378,117
Board designated cash	398,111	425,697
Total Cash and Cash Equivalents	\$ 25,966,532	\$ 7,803,814
Reconciliation of Operating (Loss) Income to Net Cash (used for) from Operating Activities		
Operating (loss) income	\$ (13,382,280)	\$ 2,270,529
Adjustments to reconcile operating (loss) income to net cash from operating activities		
Depreciation and amortization	4,460,555	3,294,775
Provision for bad debts	21,442,957	14,199,814
Changes in assets and liabilities		
Patient receivables	(19,422,385)	(15,049,663)
Other receivables	(859,840)	(3,539,894)
Due from related parties	(235,357)	835,512
Supplies	(481,838)	(49,619)
Prepays	(183,631)	182,360
Other assets	(857,730)	653,328
Accounts payable	505,489	1,748,190
Accrued expenses	222,673	606,624
Deferred compensation	(185,456)	143,265
Estimated third-party payor settlement	916,495	(3,188,217)
Due to related parties	35,131	(177,391)
Net Cash (used for) from Operating Activities	\$ (8,025,217)	\$ 1,929,613
Supplemental Disclosure of Non-cash Capital and Capital Related Financing and Investing Activities		
Income from joint venture	\$ 1,975,477	\$ 1,703,273
Capital asset purchases financed through capital lease	\$ 2,912,607	\$ -
Vested in other investments	\$ 512,443	\$ -
Vested in captive insurance	\$ 511,351	\$ -

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Tahlequah 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 Hospital are described below.

Reporting Entity

The Authority is a public trust created on June 3, 1974, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The Authority's activities include operation of a 98-bed general acute care hospital located in Tahlequah, Oklahoma and other healthcare facilities throughout Northeast Oklahoma. The Authority primarily earns revenues by providing general acute care, psychiatric, and other ancillary services to residents in and around Northeast Oklahoma. The trustees of the Authority consist of one councilman of the City of Tahlequah, Oklahoma, one active medical staff member of the hospital, and five citizens and residents of Cherokee County, Oklahoma. The City of Tahlequah, Oklahoma is the beneficiary and will receive all residual trust funds and assets upon termination of the trust. In February 2014, the Authority filed a trade name report with the Oklahoma Secretary of State to do business as Northeastern Health System.

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 Units

Tahlequah Hospital Foundation, Inc. (Foundation), a corporation, was established in August 2001, to raise money for the Tahlequah City Hospital (Hospital), which is also known as the Tahlequah Hospital Authority. The Foundation's Board of Managers is elected entirely by the Tahlequah Hospital Authority and is under its sole control.

The Authority has a controlling interest in Northeast Oklahoma Diagnostics, LLC (NOD), formally Tahlequah Diagnostic Imaging, LLC, which was incorporated as a limited liability company in December 2002. NOD provides MRI, CT, hyperbarics, and other imaging equipment.

The Authority has a controlling interest in Northeast Oklahoma Cancer Center (NOCC), which was established as a limited liability company in September 2006. NOCC provides radiation oncology services to the residents of Cherokee County, Oklahoma and surrounding areas.

The Authority has a controlling interest in Northeast Oklahoma Management Service Organization (NOMSO), which was established as a limited liability company in September 2013. NOMSO provides billing and accounting services for various joint ventures of Tahlequah Hospital Authority

The Authority has a controlling interest in Northeastern Wound Management (NWM), which was established as a limited liability company in November 2015. NWM provides wound management services to the residents of Cherokee County, Oklahoma and surrounding areas.

The Authority has a controlling interest in Northeastern Vascular Services (NVS), which was established as a limited liability company in August 2015. NVS provides vascular services to the residents of Cherokee County, Oklahoma and surrounding areas.

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 of resources and liabilities 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 and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. The Authority had no restricted, expendable net position at June 30, 2020 and 2019.

Restricted – 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 internally designated or 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.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Patient 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 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 receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. The Authority does maintain a material allowance for doubtful accounts from third party payors, the methodology has not changed from the previous year. Management reviews patient 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 due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Notes Receivable

The Authority issues notes to employees and physicians as part of its recruitment process. Notes are receivable over a minimum of a one-year period to a maximum of a ten-year period and are issued at current interest rates ranging from 6% to 9%. The notes are issued with forgiveness provisions over the life of the notes to encourage retention. Based on historical analysis, it is anticipated that the balance of the notes will be forgiven.

At June 30, 2020 and 2019, notes receivable from physicians and employees totaled \$2,045,510 and \$1,744,475 and are included in other receivables and other assets on the statements of net position. Schedule of anticipated amounts to be forgiven is as follows:

Year Ending June 30,		
2021	\$	531,802
2022		532,469
2023		425,802
2024		344,302
2025		147,386
2026 to 2030		63,749
Total	\$	2,045,510

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has only one item that qualifies for reporting in this category, which is the interest rate swap.

Supplies

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

Capital Assets

Capital asset 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	3-15 years
Buildings and improvements	5-40 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of (less than) expenses. 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.

Investments in Joint Ventures

Joint ventures in which the Authority has less than 20% ownership are stated at cost and dividends are recorded as investment income in the financial statements. Investments in joint ventures in which the Authority's ownership interest is 20% to 50% are generally reported using the equity method of accounting. Gains and losses are recorded as nonoperating revenues.

Investments

Investments include mutual funds, debt and equity securities. The Authority measures and reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in its statement of net position. The net increase or decreases in fair value of investments are reported in the statements of revenues and expenses as nonoperating revenue. Investments classified as current and noncurrent are based on the expected use of investments in the next twelve months.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Investments in Captive Insurance

The Authority participates in a captive insurance company to insure risks related to malpractice liability claims. The Authority is entitled to a refund of the original investment and any excess premiums paid to the captive in the event it withdraws from the insurance captive subsequent to the initial five-year commitment. As of June 30, 2020 and 2019, the Hospital is entitled to a full refund of its investment.

Compensated Absences

The Authority's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. The expense and the related liability for vacation benefits are recognized as earned whether the employee is expected to realize the benefit as time off or in cash. The expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined by using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. 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.

Estimated Health Claims Payable

The Authority provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in current liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

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 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 service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amounts of charges foregone for services provided under the Authority's charity care policy (Hospital only) were approximately \$6,125,000 and \$4,253,000 for the years ended June 30, 2020 and 2019. Total direct and indirect cost related to those forgone charges were approximately \$2,278,000 and \$1,479,000 at June 30, 2020 and 2019, based on average ratios of cost to gross charges. The amount of charity care given depends on the number of patients that apply for charity care during the year and the cost of services provided.

Grants and Contributions

From time to time, the Authority receives 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

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 generate matching funds to the state of Oklahoma from federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. 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 equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

The Authority made SHOPP payments totaling \$2,093,427 and \$2,499,275 included in administrative services, for the years ended June 30, 2020 and 2019. In return, the Authority received \$4,882,630 and \$4,950,421 included in net patient service revenue, for the years ended June 30, 2020 and 2019.

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

Note 2 - Net Patient Service Revenue

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

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended June 30, 2017.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are based on a predetermined fee per visit.

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

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Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the years ended June 30, 2020 and 2019:

	2020	2019
Medicare	46%	53%
Medicaid	11%	11%
Blue Cross and other commercial payors	37%	32%
Self pay and other	6%	4%
	100%	100%

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.

CMS Advanced Payments

The CMS Advanced Payment balance consists of advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Authority received \$19,952,520 in advanced payments during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of each advanced payment. This recoupment process will continue until the balance of the advanced payments has been recouped or 29 months from the date each advanced payment was issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period.

Note 3 - Provider Relief Funds

The Authority was granted \$13,819,969 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.

During the year ended June 30, 2020, the Authority provided CHP \$656,952 in Provider Relief Funds. As of June 30, 2020, the Authority had a receivable of \$5,000,000 for Provider Relief Funds, which was included in receivables on the accompanying statements of net position. During the year ended June 30, 2020, the Authority recognized \$13,163,017 as revenue, included as nonoperating revenues.

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These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues and expenses 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. The Authority is utilizing an alternative approach when recognizing revenue. There is an additional risk of an audit by HHS and the possibility of revenue recognized in the wrong year. 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.

Note 4 - Deposits, Investments and Investment Income

The carrying amounts of deposits and investments as of June 30, 2020 and 2019 are as follows:

	2020	2019
Carry amount		
Cash and deposits	\$ 26,200,454	\$ 7,903,276
Investments	13,885,441	12,685,022
	\$ 40,085,895	\$ 20,588,298

Deposits and investments are reported in the following statement of net position captions:

	2020	2019
Cash and cash equivalents	\$ 25,568,421	\$ 7,378,117
Board designated cash	398,111	425,697
Long-term investments	14,119,363	12,784,484
Total	\$ 40,085,895	\$ 20,588,298

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. State statutes require that investments be made only in U.S. government obligations and that all bank balances are protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance or bonds.

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As of June 30, 2020 and 2019, \$25,381,047 of the Authority's bank balance of \$26,917,362 and \$7,043,985 of the Authority's bank balance of \$8,717,334 was exposed to custodial credit risk as follows:

	2020	2019
Uninsured and uncollateralized - non-government joint venture exempt from statute	\$ -	\$ 821,221
Uninsured and collateral held by pledging bank's trust department in the Authority's name	25,381,047	6,222,764
Total	\$ 25,381,047	\$ 7,043,985

Investments

The Authority's investments are reported at fair value. The Authority may legally invest in direct obligations of and other guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to a limited extent, in corporate bonds and equitable securities.

The Authority had the following investments and maturities at June 30, 2020:

Type	Fair Value	Ratings	Investment Maturities (in Years)		
			Less than 1	1 - 5	6-10
Domestic fixed income	\$ 2,883,056	Ba2 - Aaa	\$ 31,652	\$ 1,718,654	\$ 1,132,750
International fixed income	202,904	Ba2 - A1	-	202,904	-
	3,085,960		\$ 31,652	\$ 1,921,558	\$ 1,132,750
Domestic equities	8,973,034				
International equities	1,826,447				
	\$ 13,885,441				

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June 30, 2020 and 2019

The Authority had the following investments and maturities at June 30, 2019:

Type	Fair Value	Ratings	Investment Maturities (in Years)		
			Less than 1	1 - 5	6-10
Domestic fixed income	\$ 3,307,190	Baa1 - Aaa	\$ 536,008	\$ 1,305,438	\$ 1,465,744
International fixed income	334,232	Baa2 - A1	141,625	192,607	-
	3,641,422		\$ 677,633	\$ 1,498,045	\$ 1,465,744
Domestic equities	7,212,573				
International equities	1,831,027				
	<u>\$ 12,685,022</u>				

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy requires that the weighted average maturity of investments shall not exceed 7 years. As of June 30, 2020 and 2019, the Authority did not exceed the weighted average maturity.

Credit Risk

The Authority's investment policy limits equities not to be rated below B+ as rated by Standard & Poor's. Fixed income securities must be investment grade as determined by the major rating agencies (i.e., Moody's, Standard & Poor's and/or Fitch). As of June 30, 2020 and 2019, the Authority had no credit risk as defined above.

Concentration of Credit Risk

The Authority will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying in the investment portfolio so that potential losses on individual securities will be minimized. The Authority's investment policy requires that equities may not exceed 40%, fixed income may not exceed 90% and cash equivalents may not exceed 20% of the total investment portfolio. As of June 30, 2020 and 2019, the Authority had no concentration of credit risk as defined above.

Investment Income

Investment income and gains and losses on assets limited as to use, cash equivalents, and other investments consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 1,556,335	\$ 911,407
Change in unrealized gains and losses on investments	493,073	503,629
Total	\$ 2,049,408	\$ 1,415,036

Note 5 - Fair Value Measurements

The Authority has determined the fair value of certain investments in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. A hierarchy of valuation classifications considers whether the inputs used in valuation techniques are observable or unobservable. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the valuation inputs into the following three broad levels:

Level 1 – Unadjusted quoted prices for identical instruments in active markets that the Authority has the ability to access at the measurement date.

Level 2 – Quoted prices for similar investments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the Authority’s own assumptions, but the market participant’s assumptions may be used in pricing the asset.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Authority defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Authority performed a detailed analysis of the assets that are subject to fair value measurement.

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The following table presents fair value measurements as of June 30, 2020:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Bonds - domestic	\$ 2,883,056	\$ -	\$ 2,883,056	\$ -
Bonds - international	202,904	-	202,904	-
Corporate stocks	10,799,481	10,160,614	-	638,867
Total investments by fair value level	<u>\$ 13,885,441</u>	<u>\$ 10,160,614</u>	<u>\$ 3,085,960</u>	<u>\$ 638,867</u>

The following table presents fair value measurements as of June 30, 2019:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Bonds - domestic	\$ 3,307,190	\$ -	\$ 3,307,190	\$ -
Bonds - international	334,232	-	334,232	-
Corporate stocks	9,043,600	8,917,176	-	126,424
Total investments by fair value level	<u>\$ 12,685,022</u>	<u>\$ 8,917,176</u>	<u>\$ 3,641,422</u>	<u>\$ 126,424</u>

The Authority's investments in prime funds and mutual funds are based on quoted market prices for identical investments in an active market. The Authority's investments in bonds are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive. The Authority's investment in corporate stocks have been determined by management based on various market analyses.

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Note 6 - Capital Assets

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

	Balance June 30, 2019	Additions	Transfers and Retirements	Balance June 30, 2020
Non-depreciable capital assets				
Land	\$ 3,011,411	\$ -	\$ -	\$ 3,011,411
Construction in progress	4,233,384	1,101,771	(3,891,079)	1,444,076
Total non-depreciable capital assets	<u>\$ 7,244,795</u>	<u>\$ 1,101,771</u>	<u>\$ (3,891,079)</u>	<u>\$ 4,455,487</u>
Depreciable capital assets				
Land improvements	\$ 634,672	\$ -	\$ -	\$ 634,672
Buildings and fixed equipment	47,615,594	367,900	(6,752)	47,976,742
Major movable equipment	30,251,363	2,799,860	3,875,968	36,927,191
Total depreciable capital assets	<u>78,501,629</u>	<u>\$ 3,167,760</u>	<u>\$ 3,869,216</u>	<u>85,538,605</u>
Less accumulated depreciation for				
Land and improvements	(477,226)	\$ (24,396)	\$ -	(501,622)
Buildings and fixed equipment	(17,229,461)	(1,446,903)	3,939	(18,672,425)
Major movable equipment	(22,875,837)	(2,987,566)	14,278	(25,849,125)
Total accumulated depreciation	<u>(40,582,524)</u>	<u>\$ (4,458,865)</u>	<u>\$ 18,217</u>	<u>(45,023,172)</u>
Net capital assets being depreciated	<u>\$ 37,919,105</u>			<u>\$ 40,515,433</u>
Capital assets, net	<u>\$ 45,163,900</u>			<u>\$ 44,970,920</u>

The majority of construction in progress at June 30, 2020 represents several minor projects. The projects will be financed with internal funds and completed within a year.

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June 30, 2020 and 2019

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

	Balance June 30, 2018	Additions	Transfers and Retirements	Balance June 30, 2019
Non-depreciable capital assets				
Land	\$ 2,976,856	\$ 34,555	\$ -	\$ 3,011,411
Construction in progress	10,278,569	3,535,970	(9,581,155)	4,233,384
Total non-depreciable capital assets	\$ 13,255,425	\$ 3,570,525	\$ (9,581,155)	\$ 7,244,795
Depreciable capital assets				
Land improvements	\$ 634,672	\$ -	\$ -	\$ 634,672
Buildings and fixed equipment	37,451,154	773,086	9,391,354	47,615,594
Major movable equipment	29,072,448	994,514	184,401	30,251,363
Total depreciable capital assets	67,158,274	\$ 1,767,600	\$ 9,575,755	78,501,629
Less accumulated depreciation for				
Land and improvements	(440,006)	\$ (37,220)	\$ -	(477,226)
Buildings and fixed equipment	(16,071,002)	(1,158,459)	-	(17,229,461)
Major movable equipment	(20,770,681)	(2,107,256)	2,100	(22,875,837)
Total accumulated depreciation	(37,281,689)	\$ (3,302,935)	\$ 2,100	(40,582,524)
Net capital assets being depreciated	\$ 29,876,585			\$ 37,919,105
Capital assets, net	\$ 43,132,010			\$ 45,163,900

Note 7 - Investments in Joint Ventures

The Authority uses the equity method to account for the joint ventures listed below. At June 30, 2020 and 2019, the Authority's investment in joint ventures consisted of the following:

	2020	2019
Cherokee Health Partners, LLC	\$ 1,246,455	\$ 1,856,014
Platte Dialysis, LLC	4,638,757	4,761,158
Total investment in joint ventures	\$ 5,885,212	\$ 6,617,172

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Joint venture activity for the years ended June 30, 2020 and 2019 are as follow:

	Balance June 30, 2019	Joint Venture Income	Distributions	Contributions/ (Sales)	Balance June 30, 2020
Cherokee Health Partners, LLC	\$ 1,856,014	\$ 847,583	\$ (1,457,142)	\$ -	\$ 1,246,455
Platte Dialysis, LLC	4,761,158	1,127,894	(1,250,295)	-	4,638,757
	<u>\$ 6,617,172</u>	<u>\$ 1,975,477</u>	<u>\$ (2,707,437)</u>	<u>\$ -</u>	<u>\$ 5,885,212</u>
	Balance June 30, 2018	Joint Venture Income	Distributions	Contributions/ (Sales)	Balance June 30, 2019
Cherokee Health Partners, LLC	\$ 1,883,737	\$ 730,913	\$ (758,636)	\$ -	\$ 1,856,014
Platte Dialysis, LLC	4,879,171	972,360	(1,090,373)	-	4,761,158
	<u>\$ 6,762,908</u>	<u>\$ 1,703,273</u>	<u>\$ (1,849,009)</u>	<u>\$ -</u>	<u>\$ 6,617,172</u>

Cherokee Health Partners, LLC

Cherokee Health Partners, LLC (CHP), a limited liability company, was incorporated as a tribal limited liability company in September 2004. CHP provides cardiac stroke and other imaging services. The Authority is a 49% owner of CHP. In its general appeal to capture all the business currently provided by the Authority, CHP solicits to serve everyone in the community. During 2020 and 2019, the Authority was paid \$1,000,235 and \$1,023,001 for services and building space provided to CHP. These amounts are included in operating revenues. The Authority was owed \$2,966,942 and \$1,110,549 for the years ended June 30, 2020 and 2019. The receivable is included in related party payable. The Authority is being reimbursed for the note payable at 2.99%, located in Note 8, for the purchase of equipment. In addition, the Authority is being reimbursed \$604,654 and \$661,683 for the note payable at 3.85%, located in Note 9, for the purchase of equipment.

A component unit of CHP, Northeast Oklahoma Heart Center (NOHC), provides cardiovascular management services to the Tahlequah Hospital Authority. During 2020 and 2019, the Authority was paid \$11,132,978 and \$10,740,969 for services provided to NOHC. These amounts are included in operating revenues. The Authority owed \$762,156 and was owed from \$638,854 at June 30, 2020 and 2019. The amount is included in related party receivable.

Platte Dialysis, LLC

Platte Dialysis, LLC (Platte), a limited liability company, was established October 2009 to provide dialysis services to residents of Cherokee County, Oklahoma and surrounding areas. The Authority is a 49% owner of Platte. In its general appeal to capture all the business currently provided by the Authority, Platte solicits to serve everyone in the community. The Authority was owed \$32,333 and \$32,333 for services provided during the years ended June 30, 2020 and 2019. The receivables are included in other receivables.

Blended Component Units

Northeast Oklahoma Diagnostics, LLC

NOD, a limited liability company, formerly Tahlequah Diagnostic Imaging, LLC, was established in December 2002, to provide MRI, CT, hyperbarics, and other imaging equipment previously provided by Tahlequah City Hospital. NOD's Board of Managers consists of five managers divided into two classes, three Authority Managers and two Class A Managers. During the year ended June 30, 2020 and 2019, the Authority owns 70% of the outstanding units of NOD.

As the Authority has majority ownership interest and management control over NOD, the balance of the investment in NOD is eliminated in the combining process as reflected in the combining statements of net position and statements of revenues and expenses and changes in net position included in the supplementary schedules.

Tahlequah Hospital Foundation

The Foundation is a nonprofit corporation established in August 2001, to raise money for the Authority. The Foundation's Board of Managers is elected entirely by the Tahlequah Hospital Authority and is under its sole control.

As the Authority has control over the Foundation, the balance of the interest in the Foundation is eliminated in the combining process as reflected in the combining statements of net position and statements of operations and changes in net position included in the supplementary schedules.

Northeast Oklahoma Cancer Center, LLC

NOCC, a limited liability company, was established in September 2006, to provide radiation oncology services to the residents of Cherokee County, Oklahoma and the surrounding community. During the year ended June 30, 2020 and 2019, the Authority owns 100% of the outstanding units of NOCC.

As the Authority has majority ownership interest and management control over NOCC, the balance of the investment in NOCC is eliminated in the combining process as reflected in the combining statements of net position and statements of revenues and expenses and changes in net position included in the supplementary schedules.

Northeast Oklahoma Management Service Organization, LLC

NOMSO, a limited liability company, was established in September 2013, to provide management services to other companies under the Authority. During the year ended June 30, 2020 and 2019, the Authority owns a 100% share NOMSO.

As the Authority has majority ownership interest and management control over NOMSO, the balance of the investment in NOMSO is eliminated in the combining process as reflected in the combining statements of net position and statements of revenues and expenses and changes in net position included in the supplementary schedules.

Northeastern Wound Management, LLC

NWM, a limited liability company, was established in November 2015, to provide wound management services. During the years ended June 30, 2020 and 2019, the Authority owns a 60% share of NWM.

As the Authority has majority ownership interest and management control over NWM, the balance of the investment in NWM is eliminated in the combining process as reflected in the combining statements of net position and statements of revenues and expenses and changes in net position included in the supplementary schedules.

Northeastern Vascular Services, LLC

NVS, a limited liability company, was established in August 2015, to provide vascular services. There was no activity for NVS until fiscal year 2019. During the years ended June 30, 2020 and 2019, the Authority owns a 100% share NVS.

As the Authority has majority ownership interest and management control over NVS, the balance of the investment in NVS is eliminated in the combining process as reflected in the combining statements of net position and statements of revenues and expenses and changes in net position included in the supplementary schedules.

Note 8 - Leases

The Authority leases certain equipment under non-cancelable long-term lease agreements, which have been recorded as either capital or operating leases. Total lease expense in June 30, 2020 and 2019 for all operating leases was approximately \$630,000 and \$501,000. The capitalized leases assets consist of:

	2020	2019
Major moveable equipment	\$ 5,237,001	\$ 106,000
Accumulated depreciation	(838,456)	(47,700)
	\$ 4,398,545	\$ 58,300

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Minimum future lease payments for the leases are as follows:

Year Ending June 30,	Capital Lease	Operating Lease
2021	\$ 338,604	\$ 37,890
2022	313,104	23,871
2023	313,104	15,096
2024	313,104	15,096
2025	313,104	15,096
2026-2030	1,019,988	75,478
2031-2032	-	30,191
	\$ 2,611,008	\$ 212,718

Note 9 - Notes Payable and Long-Term Debt

The Authority obtained a line of credit up to \$10,000,000. The unpaid principal and accrued interest are due July 2020 with an interest rate of 3.95%. The line of credit is collateralized by cash and cash equivalents and investments. During 2020, the Authority had advances of \$9,000,000 which the Authority paid in April 2020. The outstanding balance at June 30, 2020 was \$0.

The Authority received \$19,952,520 from the Medicare Advance Payment Program. The amount will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of the advanced payments. This recoupment process will continue until the balance of the advanced payments has been recouped or 29 months from the date that the advanced payments were issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period.

Scheduled payments on the CMS Advance Payment Program are as follows:

Year Ending June 30,	
2021	\$ 2,300,577
2022	11,502,885
2023	6,149,058
	\$ 19,952,520

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Long-term debt consists of:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Notes from					
Direct Borrowings	\$ 28,335,958	\$ -	\$ (1,771,656)	\$ 26,564,302	\$ 1,785,839
Capital lease (Note 8)	73,313	2,912,607	(374,912)	2,611,008	338,604
Total long-term debt	\$ 28,409,271	\$ 2,912,607	\$ (2,146,568)	\$ 29,175,310	\$ 2,124,443
	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Notes from					
Direct Borrowings	\$ 28,286,964	\$ 1,698,733	\$ (1,649,739)	\$ 28,335,958	\$ 1,707,640
Capital lease (Note 8)	98,812	-	(25,499)	73,313	44,625
Total long-term debt	\$ 28,385,776	\$ 1,698,733	\$ (1,675,238)	\$ 28,409,271	\$ 1,752,265

The terms, due dates, and securing collateral of the Authority's long-term debt, including capital lease obligation, at June 30, 2020 and 2019 follow:

	2020	2019
Notes from Direct Borrowings		
4.39% note payable, due in monthly installments of \$114,385 including interest, with an estimated balloon payment of \$6,257,000 due December 2027, secured by property and equipment	\$ 13,204,379	\$ 13,969,041
4.75% note payable, due in monthly installments of \$3,925 including interest, through January 2027, secured by property	422,170	445,354
4.1% note payable, due in monthly installments of \$4,268 including interest, through April 2024, secured by land	181,364	224,025
4.1% note payable, due in monthly installments of \$6,431 including interest, through April 2024, secured by land	273,252	337,745
4.0% note payable, due in monthly installments of \$4,878 including interest, through December 2028, secured by land	422,743	463,400
2.99% note payable, due in monthly installments of \$9,606 including interest, through February 2022, secured by associated equipment	187,180	295,080
4.5% note payable, due in monthly installments of \$29,359 including interest, through December 2031, secured by property	3,147,446	3,350,678
5.0% note payable, due in monthly installments of \$5,876 including interest, through August 2033, secured by building	678,011	713,563
3.92% note payable up to \$7,400,000, due in monthly installments of \$44,531 including interest, through September 2021, secured by building	6,914,402	7,167,741
2.75% note payable, due in monthly installments of \$10,258 including interest, through July 2023, secured by equipment	363,495	474,896

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	2020	2019
3.2% note payable, due in monthly installments of \$5,426 including interest, through July 2021, secured by property and equipment	68,861	130,689
3.85% note payable, due in monthly installments of \$7,875 including interest, through March 2029, secured by property and equipment	700,999	763,746
Total notes payable/mortgage loans	26,564,302	28,335,958
Capital Leases		
Capital lease obligation with imputed interest of 0%, with a maturity date of April 2021, collateralized by equipment	25,500	73,313
Capital lease obligation with imputed interest of 0%, with a maturity date of January 2029, collateralized by equipment	2,585,508	-
Total capital leases	2,611,008	73,313
	29,175,310	28,409,271
Less current maturities	(2,124,443)	(1,752,265)
Long-term debt, less current maturities	\$ 27,050,867	\$ 26,657,006

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

Year Ending June 30,	Capital Lease		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 338,604	\$ -	\$ 1,785,839	\$ 1,091,295
2022	313,104	-	8,218,870	824,705
2023	313,104	-	1,552,251	695,114
2024	313,104	-	1,483,946	628,867
2025	313,104	-	1,430,295	565,283
2026 to 2030	1,019,988	-	11,379,283	1,260,213
2031 to 2035	-	-	713,818	35,454
Total	\$ 2,611,008	\$ -	\$ 26,564,302	\$ 5,100,931

The provisions of the 3.72% note payable, contain covenants pertaining to reporting requirements and debt service ratio.

Interest Rate Swap

The Authority entered the interest rate swap agreement in January 2018. The Authority receives a floating rate of 1-month LIBOR, plus 184 basis points, in return for the fixed rate outlined above. The swaps expire January 2028. The objective of the swap is for the Authority to offset the variability of the overall cash flows on its fixed rate debt attributable to changes in market interest rates.

	Notional Value		
Original	2020	2019	Interest Paid
15,000,000	13,204,379	13,969,041	4.390%

The change in fair value of the swap is included as deferred outflows of resources in the statement of net position. The fair market value of the swap is determined using quoted market prices based upon observable interest rates and yield curves (Level 2 inputs), and the swap is a liability totaling \$1,685,673 and \$637,715 at June 30, 2020 and 2019 and was included in noncurrent liabilities.

Credit Risk

The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. As of June 30, 2020 and 2019, the Authority did not have hedging derivative instruments in asset positions.

Interest Rate Risk

The Authority is exposed to interest rate risk on its interest rate swap. As the LIBOR swap index decreases, the Authority's net payment on the swap increases.

Termination Risk

The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk

The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Authority will be re-exposed to the risks being hedged by the hedging derivative instrument.

Note 10 - Pension Plan

During 2019, the Authority terminated the 403(b) defined contribution pension plan and replaced it with a 401(a) defined contribution pension plan. The Authority contributes to a defined contribution pension plan 401(a) covering substantially all employees. Pension expense is recorded for the amount of the Authority’s required contributions, determined in accordance with the terms of the plan. The plan is administered by a third-party administrator. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the Authority’s Board of Trustees. The Authority can match a discretionary amount, and currently matches 3% of the participants’ contributions. Participants vest after 3 years of full-time or part-time employment and completion of at least 1,000 hours of service in each plan year.

There is also a discretionary 401(a) contribution plan which is designed to financially reward non-physician executives of the Authority for meeting or exceeding fiscal year-end budgeted expectations. Discretionary contributions are based on fiscal year-end net income compared to budgeted amounts. Total pension plan expense for the years ended June 30, 2020, 2019, and 2018 was \$831,236, \$1,168,831, and \$702,247.

Note 11 - Deferred Compensation Plan

The Authority has adopted a non-qualified executive 457(f) deferred compensation plan. The Authority may make discretionary credits to the deferred compensation account of each active participant in an amount determined each plan year by the Authority. Eligible employees may elect to defer payment of federal and state income taxes on salaries deferred under this plan. Participants vest in their deferred compensation account either at a specific date as selected in writing by the Authority, upon involuntary separation from service from the Authority without cause, or upon the date of a change in a control event. At June 30, 2020 and 2019, the value of deferred compensation totaled \$602,697 and \$788,153.

Note 12 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2020 and 2019 was as follows:

	2020	2019
Medicare	24%	26%
Medicaid	8%	6%
Other third-party payors	45%	39%
Patients	23%	29%
	100%	100%

Note 13 - Contingencies

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; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Hospital has malpractice insurance coverage through Tecumseh Health Reciprocal Risk Retention Group (THRRRG), a captive insurance company. The Hospital has an investment interest in THRRRG. The Hospital pays retrospectively rated premiums for annual medical malpractice coverage. 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.

Litigations, 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 services.

Self-Funded Health Plan

The Authority is self-funded for health benefits for eligible employees and their dependents. The Authority, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred by not reported claims that will be paid by the Authority. The Authority has stop loss insurance to cover catastrophic claims in excess of \$60,000 per claim and an annual aggregate limit of \$2,100,000 for the plan year ended December 31, 2020.

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The Authority expenses amounts representing the employer’s portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued expenses in the financial statements. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of claims liabilities during the past two years are as follows:

<u>Year</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2020	\$ 346,000	\$ 2,680,147	\$ (2,808,147)	\$ 218,000
2019	302,000	3,372,938	(3,328,938)	346,000

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.

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Note 14 - Condensed Combining Information

The following summarizes combining information for the Authority, and NOD, NWM, Foundation, NOCC, NOMSO, and NVS which have been presented as blended component units, as of and for the year ended June 30, 2020.

Statement of net position as of June 30, 2020:

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Assets									
Current assets	\$ 60,863,595	\$ 1,675,872	\$ 56,900	\$ 1,382,568	\$ 1,283,000	\$ 340,611	\$ 12,000	\$ (1,839,176)	\$ 63,775,370
Capital assets, net	26,417,533	1,063,906	39,257	17,339,431	110,793	-	-	-	44,970,920
Other noncurrent assets	35,575,829	-	-	64,172	-	-	248,469	(12,321,901)	23,566,569
Total assets	122,856,957	2,739,778	96,157	18,786,171	1,393,793	340,611	260,469	(14,161,077)	132,312,859
Deferred Outflows of Resources	1,685,673	-	-	-	-	-	-	-	1,685,673
Total assets and deferred outflows of resources	\$ 124,542,630	\$ 2,739,778	\$ 96,157	\$ 18,786,171	\$ 1,393,793	\$ 340,611	\$ 260,469	\$ (14,161,077)	\$ 133,998,532
Liabilities									
Current liabilities	\$ 17,564,879	\$ 338,180	\$ 714,936	\$ 786,672	\$ 261,536	\$ 64,698	\$ 303,674	\$ (1,839,177)	\$ 18,195,398
Deferred compensation	602,697	-	-	-	-	-	-	-	602,697
Long-term debt, less current maturities	37,787,367	248,961	5,026	8,411,301	-	-	-	(64,172)	46,388,483
Total liabilities	55,954,943	587,141	719,962	9,197,973	261,536	64,698	303,674	(1,903,349)	65,186,578
Net Position									
Net investment in capital assets	6,497,179	700,411	(29,604)	8,182,338	110,793	-	-	-	15,461,117
Unrestricted	62,090,508	1,452,226	(594,201)	1,405,860	1,021,464	275,913	(43,205)	(12,812,391)	52,796,174
Noncontrolling interest in joint ventures	-	-	-	-	-	-	-	554,663	554,663
Total net position	68,587,687	2,152,637	(623,805)	9,588,198	1,132,257	275,913	(43,205)	(12,257,728)	68,811,954
Total liabilities and net position	\$ 124,542,630	\$ 2,739,778	\$ 96,157	\$ 18,786,171	\$ 1,393,793	\$ 340,611	\$ 260,469	\$ (14,161,077)	\$ 133,998,532

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

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Operating Revenue									
Net patient service revenue	\$ 96,151,353	\$ 1,489,987	\$ -	\$ -	\$ 2,180,603	\$ -	\$ -	\$ (1,489,987)	\$ 98,331,956
Other revenue	4,871,327	303,344	345,507	2,322,802	-	536,806	-	(1,467,887)	6,911,899
Total operating revenue	<u>101,022,680</u>	<u>1,793,331</u>	<u>345,507</u>	<u>2,322,802</u>	<u>2,180,603</u>	<u>536,806</u>	<u>-</u>	<u>(2,957,874)</u>	<u>105,243,855</u>
Expenses									
Depreciation and amortization	3,423,572	463,516	549	554,912	18,006	-	-	-	4,460,555
Other operating expenses	112,301,974	757,906	572,867	530,185	1,917,536	382,124	862	(2,297,874)	114,165,580
Total operating expenses	<u>115,725,546</u>	<u>1,221,422</u>	<u>573,416</u>	<u>1,085,097</u>	<u>1,935,542</u>	<u>382,124</u>	<u>862</u>	<u>(2,297,874)</u>	<u>118,626,135</u>
Operating Income (Loss)	(14,702,866)	571,909	(227,909)	1,237,705	245,061	154,682	(862)	(660,000)	(13,382,280)
Nonoperating Revenues (Expenses)	<u>17,006,298</u>	<u>90,377</u>	<u>-</u>	<u>(364,184)</u>	<u>83,604</u>	<u>-</u>	<u>-</u>	<u>(1,018,245)</u>	<u>15,797,850</u>
Revenues in Excess of (Less Than) Expenses	2,303,432	662,286	(227,909)	873,521	328,665	154,682	(862)	(1,678,245)	2,415,570
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	(107,522)	(107,522)
Change in Net Position, Excluding Noncontrolling Interest in Joint Ventures	2,303,432	662,286	(227,909)	873,521	328,665	154,682	(862)	(1,785,767)	2,308,048
Net Position, Beginning of Year	66,284,255	2,020,180	(395,896)	8,714,677	803,592	121,231	(42,343)	(11,556,453)	65,949,243
Members' Distributions	-	(529,829)	-	-	-	-	-	529,829	-
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	554,663	554,663
Net Position, End of Year	<u>\$ 68,587,687</u>	<u>\$ 2,152,637</u>	<u>\$ (623,805)</u>	<u>\$ 9,588,198</u>	<u>\$ 1,132,257</u>	<u>\$ 275,913</u>	<u>\$ (43,205)</u>	<u>\$ (12,257,728)</u>	<u>\$ 68,811,954</u>

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Cash flows for the year ended June 30, 2020:

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Net cash from (used for) operating activities	\$ (10,260,382)	\$ 1,137,407	\$ 37,467	\$ 1,916,205	\$ (332,682)	\$ 136,768	\$ -	\$ (660,000)	\$ (8,025,217)
Net cash used for capital and related financing activities	(3,686,212)	(165,497)	(98,413)	(1,499,930)	(61,523)	-	-	660,000	(4,851,575)
Net cash from (used for) noncapital financing activities	27,996,560	-	-	-	80,654	-	-	-	28,077,214
Net cash from (used for) investing activities	3,366,243	(427,756)	-	20,859	2,950	-	-	-	2,962,296
Net change in cash and cash equivalents	17,416,209	544,154	(60,946)	437,134	(310,601)	136,768	-	-	18,162,718
Cash and cash equivalents, beginning of year	5,490,322	911,919	88,072	879,279	349,211	73,011	12,000	-	7,803,814
Cash and cash equivalents, end of year	<u>\$ 22,906,531</u>	<u>\$ 1,456,073</u>	<u>\$ 27,126</u>	<u>\$ 1,316,413</u>	<u>\$ 38,610</u>	<u>\$ 209,779</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 25,966,532</u>

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The following summarized combining information for the Authority, NOD, NWM, Foundation, NOCC, NOMSO and NVS, which has been presented as blended component units, as of and for the year ended June 30, 2019.

Statement of net position as of June 30, 2019:

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Assets									
Current assets	\$ 40,142,144	\$ 1,305,765	\$ 359,875	\$ 1,099,149	\$ 1,162,839	\$ 126,657	\$ 12,000	\$ (2,417,686)	\$ 41,790,743
Capital assets, net	25,715,728	1,485,022	3,221	17,892,653	67,276	-	-	-	45,163,900
Other noncurrent assets	32,526,248	-	-	69,342	-	-	229,315	(11,019,706)	21,805,199
Total assets	98,384,120	2,790,787	363,096	19,061,144	1,230,115	126,657	241,315	(13,437,392)	108,759,842
Deferred Outflows of Resources	637,715	-	-	-	-	-	-	-	637,715
Total assets and deferred outflows of resources	\$ 99,021,835	\$ 2,790,787	\$ 363,096	\$ 19,061,144	\$ 1,230,115	\$ 126,657	\$ 241,315	\$ (13,437,392)	\$ 109,397,557
Liabilities									
Current liabilities	\$ 13,909,566	\$ 407,112	\$ 690,130	\$ 1,189,502	\$ 426,523	\$ 5,426	\$ 283,658	\$ (2,152,567)	\$ 14,759,350
Deferred compensation	788,153	-	-	-	-	-	-	-	788,153
Long-term debt, less current maturities	18,039,861	363,495	68,862	9,156,965	-	-	-	(334,462)	27,294,721
Total liabilities	32,737,580	770,607	758,992	10,346,467	426,523	5,426	283,658	(2,487,029)	42,842,224
Net Position									
Net investment in capital assets	7,189,560	1,010,126	3,221	7,615,705	67,276	-	-	-	15,885,888
Unrestricted	59,094,695	1,010,054	(399,117)	1,098,972	736,316	121,231	(42,343)	(11,557,453)	50,062,355
Noncontrolling interest in joint ventures	-	-	-	-	-	-	-	607,090	607,090
Total net position	66,284,255	2,020,180	(395,896)	8,714,677	803,592	121,231	(42,343)	(10,950,363)	66,555,333
Total liabilities and net position	\$ 99,021,835	\$ 2,790,787	\$ 363,096	\$ 19,061,144	\$ 1,230,115	\$ 126,657	\$ 241,315	\$ (13,437,392)	\$ 109,397,557

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

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

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Operating Revenue									
Net patient service revenue	\$ 107,925,872	\$ 1,491,787	\$ -	\$ -	\$ 2,183,479	\$ -	\$ -	\$ (1,491,787)	\$ 110,109,351
Other revenue	6,523,339	427,029	568,294	2,034,250	-	482,084	-	(1,308,144)	8,726,852
Total operating revenue	114,449,211	1,918,816	568,294	2,034,250	2,183,479	482,084	-	(2,799,931)	118,836,203
Expenses									
Depreciation and amortization	2,470,226	472,668	537	345,744	5,600	-	-	-	3,294,775
Other operating expenses	111,406,878	768,357	581,403	362,778	1,940,065	389,006	54,343	(2,231,931)	113,270,899
Total operating expenses	113,877,104	1,241,025	581,940	708,522	1,945,665	389,006	54,343	(2,231,931)	116,565,674
Operating Income (Loss)	572,107	677,791	(13,646)	1,325,728	237,814	93,078	(54,343)	(568,000)	2,270,529
Nonoperating Revenues (Expenses)	3,344,624	143,096	-	(362,076)	4,499	-	-	(1,291,532)	1,838,611
Revenues in Excess of (Less Than) Expenses	3,916,731	820,887	(13,646)	963,652	242,313	93,078	(54,343)	(1,859,532)	4,109,140
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	(241,806)	(241,806)
Change in Net Position, Excluding Noncontrolling Interest in Joint Ventures	3,916,731	820,887	(13,646)	963,652	242,313	93,078	(54,343)	(2,101,338)	3,867,334
Net Position, Beginning of Year	62,367,524	1,856,040	(382,250)	7,751,025	561,279	28,153	-	(10,100,862)	62,080,909
Members' Distributions	-	-	-	-	-	-	12,000	(12,000)	-
Members' Redemption	-	(656,747)	-	-	-	-	-	656,747	-
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	607,090	607,090
Net Position, End of Year	\$ 66,284,255	\$ 2,020,180	\$ (395,896)	\$ 8,714,677	\$ 803,592	\$ 121,231	\$ (42,343)	\$ (10,950,363)	\$ 66,555,333

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Cash flows for the year ended June 30, 2019:

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Net cash from (used for) operating activities	\$ 923,548	\$ 847,385	\$ 52,197	\$ 622,038	\$ 70,552	\$ (86,107)	\$ -	\$ (500,000)	\$ 1,929,613
Net cash used for capital and related financing activities	(5,782,549)	(382,987)	-	(773,318)	(65,194)	-	-	500,000	(6,504,048)
Net cash used for noncapital financing activities	(4,903)	-	(74,077)	(23,300)	-	-	12,000	-	(90,280)
Net cash from (used for) investing activities	<u>5,333,000</u>	<u>(498,968)</u>	<u>-</u>	<u>33,432</u>	<u>4,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,871,963</u>
Net change in cash and cash equivalents	469,096	(34,570)	(21,880)	(141,148)	9,857	(86,107)	12,000	-	207,248
Cash and cash equivalents, beginning of year	<u>5,021,226</u>	<u>946,489</u>	<u>109,952</u>	<u>1,020,427</u>	<u>339,354</u>	<u>159,118</u>	<u>-</u>	<u>-</u>	<u>7,596,566</u>
Cash and cash equivalents, end of year	<u>\$ 5,490,322</u>	<u>\$ 911,919</u>	<u>\$ 88,072</u>	<u>\$ 879,279</u>	<u>\$ 349,211</u>	<u>\$ 73,011</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 7,803,814</u>

Note 15 - Subsequent Events

The Authority has evaluated subsequent events through March 15, 2021 the date which the financial statements are available to be issued.



Supplementary Information
June 30, 2020 and 2019

Tahlequah Hospital Authority

A Component Unit of the City of Tahlequah, Oklahoma



Independent Auditor's Report on Supplementary Information

The Board of Trustees
Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Tahlequah, Oklahoma

We have audited the financial statements of Tahlequah Hospital Authority as of and for the years ended June 30, 2020 and 2019 and our report thereon dated March 15, 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 operations and changes in net position information, and schedules of Hospital net patient service revenue, Hospital other revenue, and Hospital expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Oklahoma City, Oklahoma
March 15, 2021

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Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Statement of Net Position Information
June 30, 2020

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Assets									
Current Assets									
Cash and cash equivalents	\$ 22,508,420	\$ 1,456,073	\$ 27,126	\$ 1,316,413	\$ 38,610	\$ 209,779	\$ 12,000	\$ -	\$ 25,568,421
Board designated cash	398,111	-	-	-	-	-	-	-	398,111
Receivables									
Patient, net	18,751,150	-	-	-	1,086,965	-	-	-	19,838,115
Other	6,805,512	42,662	-	49,855	-	95,624	-	(1,050,916)	5,942,737
Provider relief funds	5,000,000	-	-	-	-	-	-	-	5,000,000
Current portion of lease receivable	-	-	-	5,170	-	-	-	(5,170)	-
Related parties	2,178,369	124,227	15,199	-	-	33,783	-	(783,090)	1,568,488
Estimated third-party payor settlements	527,479	-	-	-	-	-	-	-	527,479
Supplies	3,097,978	-	11,725	-	2,948	-	-	-	3,112,651
Prepaid expenses	1,596,576	52,910	2,850	11,130	154,477	1,425	-	-	1,819,368
Total current assets	60,863,595	1,675,872	56,900	1,382,568	1,283,000	340,611	12,000	(1,839,176)	63,775,370
Capital Assets, Net	26,417,533	1,063,906	39,257	17,339,431	110,793	-	-	-	44,970,920
Other Assets									
Investment in NOD	899,324	-	-	-	-	-	-	(899,324)	-
Investment in Foundation	9,612,488	-	-	-	-	-	-	(9,612,488)	-
Investment in NOMSO	275,914	-	-	-	-	-	-	(275,914)	-
Investment in CHP	1,246,455	-	-	-	-	-	-	-	1,246,455
Investment in NOCC	1,606,748	-	-	-	-	-	-	(1,606,748)	-
Investment in Platte Dialysis	4,638,757	-	-	-	-	-	-	-	4,638,757
Investment in NWM	(136,745)	-	-	-	-	-	-	136,745	-
Total investments in joint ventures	18,142,941	-	-	-	-	-	-	(12,257,729)	5,885,212
Assets held under deferred compensation agreement	602,697	-	-	-	-	-	-	-	602,697
Investments	14,119,363	-	-	-	-	-	-	-	14,119,363
Investment in captive insurance	1,096,112	-	-	-	-	-	-	-	1,096,112
Lease receivable, net of current portion	-	-	-	64,172	-	-	-	(64,172)	-
Other	1,614,716	-	-	-	-	-	248,469	-	1,863,185
Total other assets	35,575,829	-	-	64,172	-	-	248,469	(12,321,901)	23,566,569
Deferred Outflows of Resources	1,685,673	-	-	-	-	-	-	-	1,685,673
Total assets and deferred outflows of resources	\$ 124,542,630	\$ 2,739,778	\$ 96,157	\$ 18,786,171	\$ 1,393,793	\$ 340,611	\$ 260,469	\$ (14,161,077)	\$ 133,998,532

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Statement of Net Position Information
June 30, 2020

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Liabilities and Net Position									
Current Liabilities									
Current maturities of long-term debt	\$ 1,470,603	\$ 114,534	\$ 63,835	\$ 745,792	\$ -	\$ -	\$ -	\$ (270,321)	\$ 2,124,443
Current maturities of CMS advance payments	2,300,577	-	-	-	-	-	-	-	2,300,577
Accounts payable	8,502,033	223,646	651,101	-	261,536	64,698	-	(1,265,182)	8,437,832
Accrued expenses									
Salaries and benefits payable	1,496,263	-	-	-	-	-	-	-	1,496,263
Vacation	2,600,590	-	-	-	-	-	-	-	2,600,590
Payroll taxes and other	1,194,501	-	-	-	-	-	-	-	1,194,501
Due to related parties	312	-	-	40,880	-	-	303,674	(303,674)	41,192
Total current liabilities	17,564,879	338,180	714,936	786,672	261,536	64,698	303,674	(1,839,177)	18,195,398
Deferred Compensation	602,697	-	-	-	-	-	-	-	602,697
Long-Term Liabilities									
Long-term debt, less current maturities	18,449,751	248,961	5,026	8,411,301	-	-	-	(64,172)	27,050,867
CMS advance payments, less current maturities	17,651,943	-	-	-	-	-	-	-	17,651,943
Other liabilities	1,685,673	-	-	-	-	-	-	-	1,685,673
Total long-term liabilities	37,787,367	248,961	5,026	8,411,301	-	-	-	(64,172)	46,388,483
Total liabilities	55,954,943	587,141	719,962	9,197,973	261,536	64,698	303,674	(1,903,349)	65,186,578
Net Position									
Net investment in capital assets	6,497,179	700,411	(29,604)	8,182,338	110,793	-	-	-	15,461,117
Unrestricted	62,090,508	1,452,226	(594,201)	1,405,860	1,021,464	275,913	(43,205)	(12,812,391)	52,796,174
Noncontrolling interest in joint ventures	-	-	-	-	-	-	-	554,663	554,663
Total net position	68,587,687	2,152,637	(623,805)	9,588,198	1,132,257	275,913	(43,205)	(12,257,728)	68,811,954
Total liabilities and net position	\$ 124,542,630	\$ 2,739,778	\$ 96,157	\$ 18,786,171	\$ 1,393,793	\$ 340,611	\$ 260,469	\$ (14,161,077)	\$ 133,998,532

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Statement of Net Position Information
June 30, 2019

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Assets									
Current Assets									
Cash and cash equivalents	\$ 5,064,625	\$ 911,919	\$ 88,072	\$ 879,279	\$ 349,211	\$ 73,011	\$ 12,000	\$ -	\$ 7,378,117
Board designated cash	425,697	-	-	-	-	-	-	-	425,697
Receivables									
Patient, net	21,217,845	-	-	-	640,842	-	-	-	21,858,687
Other	5,009,139	-	39,084	202,170	-	52,337	-	(219,833)	5,082,897
Current portion of lease receivable	-	-	-	4,968	-	-	-	(4,968)	-
Related parties	2,965,842	341,821	218,353	-	-	-	-	(2,192,885)	1,333,131
Estimated third-party payor settlements	1,443,974	-	-	-	-	-	-	-	1,443,974
Supplies	2,616,140	-	11,725	-	2,948	-	-	-	2,630,813
Prepaid expenses	1,398,882	52,025	2,641	12,732	169,838	1,309	-	-	1,637,427
Total current assets	40,142,144	1,305,765	359,875	1,099,149	1,162,839	126,657	12,000	(2,417,686)	41,790,743
Capital Assets, Net	25,715,728	1,485,022	3,221	17,892,653	67,276	-	-	-	45,163,900
Other Assets									
Investment in NOD	806,603	-	-	-	-	-	-	(806,603)	-
Interest in Foundation	8,738,965	-	-	-	-	-	-	(8,738,965)	-
Investment in NOMSO	121,233	-	-	-	-	-	-	(121,233)	-
Investment in CHP	1,856,014	-	-	-	-	-	-	-	1,856,014
Investment in NOCC	1,283,563	-	-	-	-	-	-	(1,283,563)	-
Investment in Platte Dialysis	4,761,158	-	-	-	-	-	-	-	4,761,158
Total investments in joint ventures	17,567,536	-	-	-	-	-	-	(10,950,364)	6,617,172
Assets held under deferred compensation agreement	813,327	-	-	-	-	-	-	-	813,327
Investments	12,784,484	-	-	-	-	-	-	-	12,784,484
Investment in captive insurance	584,761	-	-	-	-	-	-	-	584,761
Lease receivable, net of current portion	-	-	-	69,342	-	-	-	(69,342)	-
Other	776,140	-	-	-	-	-	229,315	-	1,005,455
Total other assets	32,526,248	-	-	69,342	-	-	229,315	(11,019,706)	21,805,199
Deferred Outflows of Resources	637,715	-	-	-	-	-	-	-	637,715
Total assets	\$ 99,021,835	\$ 2,790,787	\$ 363,096	\$ 19,061,144	\$ 1,230,115	\$ 126,657	\$ 241,315	\$ (13,437,392)	\$ 109,397,557

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Statement of Net Position Information
June 30, 2019

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Liabilities and Net Position									
Current Liabilities									
Current maturities of long-term debt	\$ 1,124,022	\$ 111,401	\$ 61,827	\$ 1,119,983	\$ -	\$ -	\$ -	\$ (664,968)	\$ 1,752,265
Accounts payable	7,716,863	295,711	628,303	-	426,523	5,426	-	(1,140,483)	7,932,343
Accrued expenses									
Salaries and benefits payable	1,166,975	-	-	-	-	-	-	-	1,166,975
Vacation	2,372,422	-	-	-	-	-	-	-	2,372,422
Payroll taxes and other	1,529,284	-	-	-	-	-	-	-	1,529,284
Due to related parties	-	-	-	69,519	-	-	283,658	(347,116)	6,061
Total current liabilities	13,909,566	407,112	690,130	1,189,502	426,523	5,426	283,658	(2,152,567)	14,759,350
Deferred Compensation	788,153	-	-	-	-	-	-	-	788,153
Long-Term Liabilities									
Long-term debt, less current maturities	17,402,146	363,495	68,862	9,156,965	-	-	-	(334,462)	26,657,006
Other liabilities	637,715	-	-	-	-	-	-	-	637,715
Total long-term liabilities	18,039,861	363,495	68,862	9,156,965	-	-	-	(334,462)	27,294,721
Total liabilities	32,737,580	770,607	758,992	10,346,467	426,523	5,426	283,658	(2,487,029)	42,842,224
Net Position									
Net investment in capital assets	7,189,560	1,010,126	3,221	7,615,705	67,276	-	-	-	15,885,888
Unrestricted	59,094,695	1,010,054	(399,117)	1,098,972	736,316	121,231	(42,343)	(11,557,453)	50,062,355
Noncontrolling interest in joint ventures	-	-	-	-	-	-	-	607,090	607,090
Total net position	66,284,255	2,020,180	(395,896)	8,714,677	803,592	121,231	(42,343)	(10,950,363)	66,555,333
Total liabilities and net position	\$ 99,021,835	\$ 2,790,787	\$ 363,096	\$ 19,061,144	\$ 1,230,115	\$ 126,657	\$ 241,315	\$ (13,437,392)	\$ 109,397,557

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Position Information
Year Ended June 30, 2020

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Operating Revenue									
Net patient service revenue	\$ 96,151,353	\$ 1,489,987	\$ -	\$ -	\$ 2,180,603	\$ -	\$ -	\$ (1,489,987)	\$ 98,331,956
Other revenue	<u>4,871,327</u>	<u>303,344</u>	<u>345,507</u>	<u>2,322,802</u>	<u>-</u>	<u>536,806</u>	<u>-</u>	<u>(1,467,887)</u>	<u>6,911,899</u>
Total operating revenue	<u>101,022,680</u>	<u>1,793,331</u>	<u>345,507</u>	<u>2,322,802</u>	<u>2,180,603</u>	<u>536,806</u>	<u>-</u>	<u>(2,957,874)</u>	<u>105,243,855</u>
Expenses									
Nursing services	33,504,676	-	-	-	-	-	-	(1,489,987)	32,014,689
Other professional services	53,248,937	34,234	-	6,462	263,302	-	-	(1,146,937)	52,405,998
General services	6,039,806	-	572,867	-	1,586,955	382,124	-	536,558	9,118,310
Administrative services	19,508,555	141,069	-	110,674	67,279	-	-	-	19,827,577
Other expenses	-	582,603	-	413,049	-	-	862	(197,508)	799,006
Depreciation and amortization	<u>3,423,572</u>	<u>463,516</u>	<u>549</u>	<u>554,912</u>	<u>18,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,460,555</u>
Total expenses	<u>115,725,546</u>	<u>1,221,422</u>	<u>573,416</u>	<u>1,085,097</u>	<u>1,935,542</u>	<u>382,124</u>	<u>862</u>	<u>(2,297,874)</u>	<u>118,626,135</u>
Operating Income (Loss)	<u>(14,702,866)</u>	<u>571,909</u>	<u>(227,909)</u>	<u>1,237,705</u>	<u>245,061</u>	<u>154,682</u>	<u>(862)</u>	<u>(660,000)</u>	<u>(13,382,280)</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Position Information
Year Ended June 30, 2020

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Nonoperating Revenues (Expenses)									
Investment income	\$ 1,928,494	\$ 102,073	\$ -	\$ 15,891	\$ 2,950	\$ -	\$ -	\$ -	\$ 2,049,408
Provider relief funds	13,082,363	-	-	-	80,654	-	-	-	13,163,017
Income from NOD	463,601	-	-	-	-	-	-	(463,601)	-
Income from Foundation	873,523	-	-	-	-	-	-	(873,523)	-
Income from NOMSO	154,681	-	-	-	-	-	-	(154,681)	-
Income from CHP	847,583	-	-	-	-	-	-	-	847,583
Income from NOCC	323,185	-	-	-	-	-	-	(323,185)	-
Income from Platte	1,127,894	-	-	-	-	-	-	-	1,127,894
Income from NWM	(136,745)	-	-	-	-	-	-	136,745	-
Interest expense	(956,312)	(11,696)	-	(380,075)	-	-	-	-	(1,348,083)
Loss on disposal	(3,646)	-	-	-	-	-	-	-	(3,646)
Contributions expense	(698,323)	-	-	-	-	-	-	660,000	(38,323)
Total non operating revenue (expense), net	<u>17,006,298</u>	<u>90,377</u>	<u>-</u>	<u>(364,184)</u>	<u>83,604</u>	<u>-</u>	<u>-</u>	<u>(1,018,245)</u>	<u>15,797,850</u>
Revenues in Excess of (Less Than) Expenses	2,303,432	662,286	(227,909)	873,521	328,665	154,682	(862)	(1,678,245)	2,415,570
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	(107,522)	(107,522)
Change in Net Position, Excluding Noncontrolling Interest in Joint Ventures	2,303,432	662,286	(227,909)	873,521	328,665	154,682	(862)	(1,785,767)	2,308,048
Net Position, Beginning of Year	66,284,255	2,020,180	(395,896)	8,714,677	803,592	121,231	(42,343)	(11,556,453)	65,949,243
Members' Distributions	-	(529,829)	-	-	-	-	-	529,829	-
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	554,663	554,663
Net Position, End of Year	<u>\$ 68,587,687</u>	<u>\$ 2,152,637</u>	<u>\$ (623,805)</u>	<u>\$ 9,588,198</u>	<u>\$ 1,132,257</u>	<u>\$ 275,913</u>	<u>\$ (43,205)</u>	<u>\$ (12,257,728)</u>	<u>\$ 68,811,954</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Position Information
Year Ended June 30, 2019

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Operating Revenue									
Net patient service revenue	\$ 107,925,872	\$ 1,491,787	\$ -	\$ -	\$ 2,183,479	\$ -	\$ -	\$ (1,491,787)	\$ 110,109,351
Other revenue	6,523,339	427,029	568,294	2,034,250	-	482,084	-	(1,308,144)	8,726,852
Total operating revenue	114,449,211	1,918,816	568,294	2,034,250	2,183,479	482,084	-	(2,799,931)	118,836,203
Expenses									
Nursing services	29,400,541	-	-	-	-	-	-	(1,491,787)	27,908,754
Other professional services	56,510,337	28,928	-	6,200	239,657	-	-	(1,067,845)	55,717,277
General services	6,026,471	-	581,403	-	1,624,329	389,006	-	426,626	9,047,835
Administrative services	19,469,529	166,293	-	96,980	76,079	-	-	-	19,808,881
Other expenses	-	573,136	-	259,598	-	-	54,343	(98,925)	788,152
Depreciation and amortization	2,470,226	472,668	537	345,744	5,600	-	-	-	3,294,775
Total expenses	113,877,104	1,241,025	581,940	708,522	1,945,665	389,006	54,343	(2,231,931)	116,565,674
Operating Income (Loss)	572,107	677,791	(13,646)	1,325,728	237,814	93,078	(54,343)	(568,000)	2,270,529

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Combining Schedule – Operations and Changes in Net Position Information
Year Ended June 30, 2019

	Tahlequah Hospital Authority	Northeast Oklahoma Diagnostics	Northeastern Wound Management	Tahlequah Hospital Foundation	Northeast Oklahoma Cancer Center	Northeast Oklahoma Management Service Organization	Northeast Vascular Services	Reclassifications or Eliminations	Combined
Nonoperating Revenues (Expenses)									
Investment income	\$ 1,224,099	\$ 157,779	\$ -	\$ 28,659	\$ 4,499	\$ -	\$ -	\$ -	\$ 1,415,036
Income from NOD	574,621	-	-	-	-	-	-	(574,621)	-
Income from Foundation	961,520	-	-	-	-	-	-	(961,520)	-
Income from NOMSO	93,078	-	-	-	-	-	-	(93,078)	-
Income from CHP	730,912	-	-	-	-	-	-	-	730,912
Income from NOCC	242,313	-	-	-	-	-	-	(242,313)	-
Income from Platte	972,361	-	-	-	-	-	-	-	972,361
Interest expense	(852,026)	(14,683)	-	(390,735)	-	-	-	-	(1,257,444)
Loss on disposal	1,046	-	-	-	-	-	-	-	1,046
Contributions expense	(603,300)	-	-	-	-	-	-	580,000	(23,300)
Total non operating revenue (expense), net	<u>3,344,624</u>	<u>143,096</u>	<u>-</u>	<u>(362,076)</u>	<u>4,499</u>	<u>-</u>	<u>-</u>	<u>(1,291,532)</u>	<u>1,838,611</u>
Revenues in Excess of (Less Than) Expenses	3,916,731	820,887	(13,646)	963,652	242,313	93,078	(54,343)	(1,859,532)	4,109,140
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	(241,806)	(241,806)
Change in Net Position, Excluding Noncontrolling Interest in Joint Ventures	3,916,731	820,887	(13,646)	963,652	242,313	93,078	(54,343)	(2,101,338)	3,867,334
Net Position, Beginning of Year	62,367,524	1,856,040	(382,250)	7,751,025	561,279	28,153	-	(10,100,862)	62,080,909
Members' Distributions	-	-	-	-	-	-	12,000	(12,000)	-
Members' Redemption	-	(656,747)	-	-	-	-	-	656,747	-
Noncontrolling Interest in Joint Ventures	-	-	-	-	-	-	-	607,090	607,090
Net Position, End of Year	<u>\$ 66,284,255</u>	<u>\$ 2,020,180</u>	<u>\$ (395,896)</u>	<u>\$ 8,714,677</u>	<u>\$ 803,592</u>	<u>\$ 121,231</u>	<u>\$ (42,343)</u>	<u>\$ (10,950,363)</u>	<u>\$ 66,555,333</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Net Patient Service Revenue
Years Ended June 30, 2020

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Patient Service Revenue			
Daily patient services			
Medical and surgical	\$ 22,413,269	\$ 1,956,830	\$ 24,370,099
Intensive care unit	16,264,122	1,060,114	17,324,236
Nursery	766,700	-	766,700
	<u>39,444,091</u>	<u>3,016,944</u>	<u>42,461,035</u>
Other nursing services			
Central service supplies	418	-	418
Emergency room	4,398,571	20,537,110	24,935,681
Wound Care	-	282,228	282,228
Observation	466,110	949,859	1,415,969
Operating room	23,547,889	24,503,477	48,051,366
	<u>28,412,988</u>	<u>46,272,674</u>	<u>74,685,662</u>
Other professional services			
Ambulance	-	3,374,079	3,374,079
Anesthesiology	2,692,027	3,837,765	6,529,792
Brain institute	146	1,687	1,833
Cardiac cath lab	11,542,222	15,336,338	26,878,560
Complex lab	3,611	2,210,346	2,213,957
Electrocardiography	851,689	587,303	1,438,992
Geriatric psychology	3,684,866	-	3,684,866
Hyperbaric	1,054	398,600	399,654
Laboratory	10,461,940	11,025,493	21,487,433
Nephrology	686,188	83,121	769,309
Occupational therapy	86,008	133,220	219,228
Obstetrics	2,194,026	193,042	2,387,068
Oncology	-	21,348,069	21,348,069
Pharmacy	10,945,971	4,254,504	15,200,475
Physical therapy	404,924	555,376	960,300
Physician	4,490,404	14,457,957	18,948,361
Radiology	9,618,486	29,669,252	39,287,738
Rehabilitation	2,153,269	362,504	2,515,773
Respiratory therapy	9,825,026	1,189,828	11,014,854
Sleep Study	-	4,496,644	4,496,644
Speech therapy	99,703	200,807	300,510
	<u>69,741,560</u>	<u>113,715,935</u>	<u>183,457,495</u>
	<u>\$ 137,598,639</u>	<u>\$ 163,005,553</u>	<u>300,604,192</u>
Charity care			<u>(6,124,611)</u>
Total patient service revenue			<u>294,479,581</u>
Deductions from Revenue			
Contractual Adjustments			(177,227,563)
Provision for Bad Debts			<u>(21,100,665)</u>
Total reductions from revenue			<u>(198,328,228)</u>
Net Patient Service Revenue			<u>\$ 96,151,353</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Net Patient Service Revenue
Years Ended June 30, 2019

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Patient Service Revenue			
Daily patient services			
Medical and surgical	\$ 13,840,645	\$ 2,450,685	\$ 16,291,330
Intensive care unit	15,980,969	184,516	16,165,485
Nursery	889,354	17,441	906,795
	<u>30,710,968</u>	<u>2,652,642</u>	<u>33,363,610</u>
Other nursing services			
Central service supplies	311,105	73,000	384,105
Emergency room	4,901,834	22,334,683	27,236,517
Wound Care	-	750,184	750,184
Observation	76,611	2,106,126	2,182,737
Operating room	26,850,721	26,855,339	53,706,060
	<u>32,140,271</u>	<u>52,119,332</u>	<u>84,259,603</u>
Other professional services			
Ambulance	198	4,178,407	4,178,605
Anesthesiology	1,036,917	7,241,725	8,278,642
Brain institute	21,586	83,150	104,736
Cardiac cath lab	11,388,978	13,993,319	25,382,297
Complex lab	12,187	4,266,747	4,278,934
Electrocardiography	821,760	2,819,119	3,640,879
Geriatric psychology	2,873,765	-	2,873,765
Hyperbaric	7,632	665,861	673,493
Laboratory	7,817,665	13,617,901	21,435,566
Nephrology	372,042	37,475	409,517
Occupational therapy	108,253	83,602	191,855
Obstetrics	2,297,685	228,203	2,525,888
Oncology	34,447	19,113,694	19,148,141
Pharmacy	11,617,632	6,087,390	17,705,022
Physical therapy	335,378	615,669	951,047
Physician	4,137	22,603,199	22,607,336
Radiology	5,674,422	38,370,756	44,045,178
Rehabilitation	2,285,298	290,492	2,575,790
Respiratory therapy	8,337,531	2,258,069	10,595,600
Sleep Study	7,030	1,535,920	1,542,950
Speech therapy	166,851	243,601	410,452
	<u>55,221,394</u>	<u>138,334,299</u>	<u>193,555,693</u>
	<u>\$ 118,072,633</u>	<u>\$ 193,106,273</u>	311,178,906
Charity care			<u>(4,252,557)</u>
Total patient service revenue			<u>306,926,349</u>
Contractual Adjustments			(184,691,034)
Medicare			<u>(14,309,443)</u>
Medicaid			<u>(199,000,477)</u>
Other			<u>(184,691,034)</u>
Net Patient Service Revenue			<u>\$ 107,925,872</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Other Revenue
Years Ended June 30, 2020 and 2019

	2020	2019
Other Revenue		
Rental income	\$ 951,792	\$ 691,099
Service contract billing	293,908	1,539,368
Cafeteria	247,790	296,205
Kiosk (The Coffee House)	469,027	584,597
340B program revenue	1,995,995	2,477,565
Miscellaneous	912,815	934,505
Total Other Revenue	\$ 4,871,327	\$ 6,523,339

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Expenses
Years Ended June 30, 2020

	Salaries	Supplies and Expenses	Total
Nursing Services			
Central service supplies	\$ 334,110	\$ 42,108	\$ 376,218
Emergency room	1,630,578	3,096,506	4,727,084
Wound care	-	155,482	155,482
Intensive care unit	3,476,816	1,351,087	4,827,903
Labor and delivery	730,529	565,259	1,295,788
Medical and surgical	3,443,832	1,910,337	5,354,169
Nursery	-	129	129
Nursing administration	906,439	55,221	961,660
Observation	388,556	335,277	723,833
Operating room	3,161,689	11,920,721	15,082,410
	<u>14,072,549</u>	<u>19,432,127</u>	<u>33,504,676</u>
Other Professional Services			
Ambulance	1,133,997	220,195	1,354,192
Anesthesiology	-	1,942,694	1,942,694
Bio Med	180,510	12,600	193,110
Brain institute	-	2,032,328	2,032,328
Cardiology	86,451	1,668,291	1,754,742
Cath lab	2,255	9,585,426	9,587,681
Complex lab	146,003	297,043	443,046
Electrocardiography	91,691	86,669	178,360
Geriatric psychology	1,124,597	356,836	1,481,433
Health education	151,891	110,826	262,717
Hyperbarics	-	186,700	186,700
Laboratory	1,133,848	3,618,434	4,752,282
Nephrology	-	386,339	386,339
Occupational therapy	96,738	49,393	146,131
Oncology	345,396	6,426,252	6,771,648
Pharmacy	1,357,776	2,848,435	4,206,211
Physical therapy	298,765	166,825	465,590
Physician	5,342,421	3,804,305	9,146,726
Radiology	1,942,647	1,939,510	3,882,157
Rehabilitation inpatient	458,381	1,011,437	1,469,818
Respiratory therapy	861,200	470,228	1,331,428
Sallisaw	(30,099)	240	(29,859)
Social services	423,828	34,187	458,015
Speech therapy	119,296	47,801	167,097
Sleep Study	-	666,112	666,112
Vascular	-	12,239	12,239
	<u>15,267,592</u>	<u>37,981,345</u>	<u>53,248,937</u>
General Services			
Dietary	766,031	729,642	1,495,673
Housekeeping	613,335	188,403	801,738
Laundry and linen	-	318,166	318,166
Medical records	1,226,505	399,664	1,626,169
Plant operations	642,624	1,155,436	1,798,060
	<u>3,248,495</u>	<u>2,791,311</u>	<u>6,039,806</u>
Administrative Services			
Administration and office	7,112,156	8,004,198	15,116,354
Employee benefits	-	4,392,201	4,392,201
	<u>7,112,156</u>	<u>12,396,399</u>	<u>19,508,555</u>
Depreciation	-	3,423,572	3,423,572
	<u>\$ 39,700,792</u>	<u>\$ 76,024,754</u>	<u>\$ 115,725,546</u>

Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Schedules of Hospital Expenses
Years Ended June 30, 2019

	Salaries	Supplies and Expenses	Total
Nursing Services			
Central service supplies	\$ 300,176	\$ 153,972	\$ 454,148
Emergency room	1,796,187	2,086,744	3,882,931
Wound care	1,923	268,801	270,724
Intensive care unit	3,057,097	1,209,358	4,266,455
Labor and delivery	789,269	320,072	1,109,341
Medical and surgical	3,040,298	2,664,496	5,704,794
Nursery	-	1,275	1,275
Nursing administration	872,792	58,233	931,025
Observation	300,607	392,920	693,527
Operating room	2,815,390	9,270,931	12,086,321
	<u>12,973,739</u>	<u>16,426,802</u>	<u>29,400,541</u>
Other Professional Services			
Ambulance	1,139,149	196,458	1,335,607
Anesthesiology	-	1,759,419	1,759,419
Bio Med	182,511	24,288	206,799
Brain institute	647	698,965	699,612
Cardiology	68,555	2,835,426	2,903,981
Cath lab	-	9,260,099	9,260,099
Complex lab	147,531	269,592	417,123
Electrocardiography	86,067	106,247	192,314
Geriatric psychology	1,091,317	198,295	1,289,612
Health education	187,860	86,380	274,240
Hyperbarics	-	302,073	302,073
Laboratory	1,294,812	3,344,067	4,638,879
Nephrology	-	369,946	369,946
Occupational therapy	69,306	39,542	108,848
Oncology	342,751	6,301,504	6,644,255
Pharmacy	1,415,989	3,464,127	4,880,116
Physical therapy	310,785	212,037	522,822
Physician	6,483,131	3,571,720	10,054,851
Radiology	1,908,494	1,994,623	3,903,117
Rehabilitation inpatient	608,572	925,568	1,534,140
Respiratory therapy	727,313	649,528	1,376,841
Sallisaw	2,911,979	1,197	2,913,176
Social services	377,841	38,377	416,218
Speech therapy	115,214	38,010	153,224
Sleep Study	-	182,810	182,810
Vascular	-	170,215	170,215
	<u>19,469,824</u>	<u>37,040,513</u>	<u>56,510,337</u>
General Services			
Dietary	806,958	674,110	1,481,068
Housekeeping	575,290	173,515	748,805
Laundry and linen	-	348,302	348,302
Medical records	1,146,903	371,074	1,517,977
Plant operations	606,791	1,323,528	1,930,319
	<u>3,135,942</u>	<u>2,890,529</u>	<u>6,026,471</u>
Administrative Services			
Administration and office	6,439,756	6,919,187	13,358,943
Employee benefits	-	6,110,586	6,110,586
	<u>6,439,756</u>	<u>13,029,773</u>	<u>19,469,529</u>
Depreciation	<u>-</u>	<u>2,470,226</u>	<u>2,470,226</u>
	<u>\$ 42,019,261</u>	<u>\$ 71,857,843</u>	<u>\$ 113,877,104</u>



**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
Tahlequah Hospital Authority
A Component Unit of the City of Tahlequah, Oklahoma
Tahlequah, 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 Tahlequah 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 March 15, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Purpose of this Report

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



Oklahoma City, Oklahoma
March 15, 2021