



Management's Discussion and Analysis  
and Financial Statements  
June 30, 2021 and 2020

**Fairview Municipal Hospital Authority**

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## Independent Auditor's Report

Board of Trustees  
Fairview Municipal Hospital Authority  
Fairview, Oklahoma

### Report on Financial Statements

We have audited the accompanying statements of net position of Fairview Municipal Hospital Authority (Authority), as of June 30, 2021 and 2020, 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 perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Fairview Municipal Hospital Authority, as of June 30, 2021 and 2020, 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 November 22, 2021 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma  
November 22, 2021

Our discussion and analysis for Fairview Municipal Hospital Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2021, 2020 and 2019. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

### **Financial Highlights**

- The Authority's net position increased \$3,008,559 or 312 percent in 2021, and decreased \$841,150 or 47 percent in 2020.
- The Authority reported operating losses of \$1,332,910 in 2021 and \$1,170,483 in 2020. The loss in 2021 increased by \$162,427 or 14 percent over the loss reported in 2020. Operating losses in 2020 increased by \$866,260 or 285 percent over the loss reported in 2019.
- Nonoperating income increased by \$4,037,256 or 1,327 percent in 2021 compared to 2020. Nonoperating income increased in 2020 by \$121,300 or 29 percent compared to 2019.

### **Using This Annual Report**

The Authority's financial statements consist of three statements - Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation.

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

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. 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 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.

### **Statement of Cash Flows**

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

### **The Authority's Net Position**

The Authority's net position is the difference between its assets and liabilities reported in the statement of net position on page 8. The Authority's net position increased in 2021 by \$3,008,558 and decreased by \$688,006 in 2020 with a 312 percent increase in 2021 and a 42 percent decrease in 2020.

	2021	2020	2019
<b>Assets</b>			
Cash and cash equivalents	\$ 1,451,764	\$ 4,805,892	\$ 698,211
Short-term investments	1,505,509	-	-
Patient accounts receivable, net	600,619	697,602	564,330
Other current assets	327,928	313,795	235,928
Capital assets, net	3,601,154	2,591,756	2,874,911
<b>Total assets</b>	<b>\$ 7,486,974</b>	<b>\$ 8,409,045</b>	<b>\$ 4,373,380</b>
<b>Liabilities</b>			
Accounts payable	\$ 156,930	\$ 121,656	\$ 569,171
Short-term note payable	-	-	14,287
Current maturities of long-term debt	398,611	702,693	342,910
Other current liabilities	755,546	3,628,894	373,357
CMS advance payments	1,531,260	1,633,341	-
Long-term debt, net	670,688	1,357,081	1,267,125
<b>Total liabilities</b>	<b>3,513,035</b>	<b>7,443,665</b>	<b>2,566,850</b>
<b>Net Position</b>			
Net investment in capital assets	2,531,855	1,305,752	1,264,876
Restricted, expendable for capital acquisitions	475,983	452,021	519,507
Unrestricted net position	966,101	(792,393)	22,147
<b>Total net position</b>	<b>3,973,939</b>	<b>965,380</b>	<b>1,806,530</b>
<b>Total liabilities and net position</b>	<b>\$ 7,486,974</b>	<b>\$ 8,409,045</b>	<b>\$ 4,373,380</b>

### **Assets, Liabilities, and Net Position**

A significant component of the change in the Authority's assets, liabilities, and net position is the increase in amounts due to funds received through Provider Relief Fund and Medicare advance payments.

- Cash and short-term investments decreased \$1,848,619 over 2020 compared with an increase of \$4,107,681 in 2019.
- Accounts payable increased \$35,274 in 2021 compared with a decrease in accounts payable of \$447,515 for June 30, 2020 compared with 2019.
- Other current liabilities decreased \$2,873,347 in 2021 over 2020 due to the refundable advance related to the Provider Relief Fund being recognized as nonoperating revenue and increased \$3,255,537 in 2020 over 2019.
- Long-term debt decreased \$990,475 over 2020 due primarily to the Paycheck Protection Program loan being forgiven. Long-term debt increased \$449,739 in 2020 over 2019.

### **Operating Results and Changes in Net Position**

	2021	2020	2019
Operating Revenue			
Net patient service revenue	\$ 6,515,301	\$ 5,934,593	\$ 6,378,568
Other revenue	157,012	151,061	162,302
Total operating revenue	<u>6,672,313</u>	<u>6,085,654</u>	<u>6,540,870</u>
Operating Expenses			
Salaries and wages	4,558,867	4,113,103	3,460,341
Employee benefits	731,157	718,201	576,311
Professional fees and purchased services	1,003,652	1,095,748	1,393,829
Supplies	567,717	376,556	468,612
Depreciation and amortization	505,870	437,234	445,996
Other	637,960	515,295	500,004
Total operating expenses	<u>8,005,223</u>	<u>7,256,137</u>	<u>6,845,093</u>
Operating Loss	<u>(1,332,910)</u>	<u>(1,170,483)</u>	<u>(304,223)</u>
Nonoperating Revenues (Expenses)			
Sales tax	396,142	369,664	492,337
Provider Relief Funds	3,108,017	-	-
Paycheck Protection Program loan forgiveness	773,700	-	-
Investment income	12,167	2,876	1,266
Interest expense	(51,340)	(74,212)	(68,091)
Other noncapital grants	102,783	5,884	-
Total nonoperating revenues	<u>4,341,469</u>	<u>304,212</u>	<u>425,512</u>
Capital Contributions	<u>-</u>	<u>25,121</u>	<u>31,855</u>
Change in Net Position	<u>\$ 3,008,559</u>	<u>\$ (841,150)</u>	<u>\$ 153,144</u>

### **Operating Results**

The first component of the overall change in the Authority's net position is its operating results. Generally, the operating loss is the difference between net patient service revenues and the expenses incurred to perform those services. The operating loss for 2021 was \$1,332,910. The operating loss in 2021 increased by \$162,427 compared to the 2020 operating loss of \$1,170,483. The primary components of the change in the operating loss are as follows:

- Net patient service revenue for 2021 increased \$580,708 over 2020 due to increasing volumes. Net patient service revenue from 2020 decreased \$443,975 over 2019.
- Operating expenses for 2021 increased \$749,086 from 2020 primarily attributable to an increase in salaries and supplies incurred as a result of COVID-19. Operating expenses in 2020 increased \$411,044 from 2019.

The Authority sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals established for the Authority when it was established. There was approximately \$143,000 of charity care provided in 2021 and \$189,000 in 2020 based on charges foregone. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Authority.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of sales tax revenues, interest expense, government COVID programs and grants. Nonoperating revenues increased by \$4,037,256 in 2021 compared to a decrease of \$121,300 in 2020. The major changes in nonoperating revenue recognition of \$3,108,016 of Provider Relief revenue and the forgiveness of \$773,700 from the Paycheck Protection Program loan.

### **The Authority's Cash Flows**

The Authority's overall liquidity decreased in 2021 with a net decrease to cash and cash equivalents, of \$3,354,128 when compared with 2020 and an increase of \$4,107,681 in 2020 compared with 2019.

- Cash used for operating activities was \$619,296 during 2021 compared to cash flows used for operating activities of \$1,273,582 during 2020. This was due primarily to the increased salary and operating expenses resulting from COVID-19.
- Cash used for capital and capital related financing activities was \$1,391,653 or an increase of \$1,249,098 when compared with 2020.
- Cash from noncapital financing activities was \$150,163 in 2021 and \$5,520,942 during 2020 due to amounts received under the CARES Act. Cash used for investing activities was \$1,493,342 due to the purchase of CD's in 2021 compared cash from investing activities of \$2,876 in 2020.

### **Capital Assets**

At the end of 2021 and 2020, the Authority had \$3,601,154 and \$2,591,756 invested in net capital assets, as detailed in Note 5 to the financial statements. In 2021, the Authority purchased \$1,515,268 of capital assets compared with purchases of \$154,081 in 2020.

### **Debt**

At the end of 2021 and 2020, the Authority had \$1,069,299 and \$2,059,774 in outstanding debt. The Authority received a loan under the Paycheck Protection Program (PPP) in the amount of \$773,700 during 2020, which was forgiven in 2021. The Authority incurred additional long-term liabilities of \$153,978 in 2021 for capital leases and equipment compared to \$21,503 in 2020 and retired debt of \$370,753 in 2021 compared to \$345,464 in 2020. For additional information regarding long-term debt, please see Note 7 to the financial statements.



**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 Fairview Regional Medical Center Authority, Administrator's Office, 523 State Road, Fairview, Oklahoma 73737.

# Fairview Municipal Hospital Authority

## Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 895,903	\$ 1,311,025
Cash, restricted	555,861	3,494,867
Short term investments - certificate of deposit	1,505,509	-
Receivables		
Patient, net of estimated uncollectibles of approximately \$308,000 in 2021 and \$261,000 in 2020	600,619	697,602
Estimated third party payor settlements	-	46,463
Sales tax	69,583	65,171
Other	28,702	36,070
Supplies	200,528	138,612
Prepays	29,115	27,479
Total current assets	<u>3,885,820</u>	<u>5,817,289</u>
Capital Assets		
Capital assets not being depreciated	52,955	22,240
Capital assets being depreciated	<u>3,548,199</u>	<u>2,569,516</u>
Total capital assets	<u>3,601,154</u>	<u>2,591,756</u>
Total assets	<u><u>\$ 7,486,974</u></u>	<u><u>\$ 8,409,045</u></u>

Fairview Municipal Hospital Authority  
Statements of Net Position  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 398,611	\$ 702,693
CMS advance payments - current portion	908,776	139,741
Accounts payable		
Trade	156,930	121,656
Estimated third party payor settlements	55,994	-
Accrued expenses		
Salaries and payroll taxes	188,986	187,734
Vacation	357,308	329,344
Other	3,797	3,799
Refundable advance - Provider Relief Fund	<u>149,461</u>	<u>3,108,017</u>
Total current liabilities	2,219,863	4,592,984
CMS Advance Payable	622,484	1,493,600
Long Term Debt, Less Current Maturities	<u>670,688</u>	<u>1,357,081</u>
Total liabilities	<u>3,513,035</u>	<u>7,443,665</u>
Net Position		
Net investment in capital assets	2,531,855	1,305,752
Restricted, expendable for capital acquisitions	475,983	452,021
Unrestricted	<u>966,101</u>	<u>(792,393)</u>
Total net position	<u>3,973,939</u>	<u>965,380</u>
Total liabilities and net position	<u><u>\$ 7,486,974</u></u>	<u><u>\$ 8,409,045</u></u>

Fairview Municipal Hospital Authority  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenue		
Patient service revenue, net of provision for bad debts of \$427,956 in 2021 and \$611,765 in 2020	\$ 6,515,301	\$ 5,934,593
Other revenue	<u>157,012</u>	<u>151,061</u>
Total operating revenue	<u>6,672,313</u>	<u>6,085,654</u>
Operating Expenses		
Salaries and wages	4,558,867	4,113,103
Employee benefits	731,157	718,201
Professional fees and purchased services	1,003,652	1,095,748
Supplies	567,717	376,556
Depreciation and amortization	505,870	437,234
Other	<u>637,960</u>	<u>515,295</u>
Total operating expenses	<u>8,005,223</u>	<u>7,256,137</u>
Operating Loss	<u>(1,332,910)</u>	<u>(1,170,483)</u>
Nonoperating Revenues (Expenses)		
Sales tax	396,142	369,664
Forgiveness of Paycheck Protection Program loan	773,700	-
Investment income	12,167	2,876
Interest expense	(51,340)	(74,212)
Noncapital grants and gifts		
Provider Relief Fund	3,108,017	-
Other	<u>102,783</u>	<u>5,884</u>
Total nonoperating revenues, net	<u>4,341,469</u>	<u>304,212</u>
Revenues in Excess of (Less than) Expenses Before Capital Contributions	3,008,559	(866,271)
Capital Contributions	<u>-</u>	<u>25,121</u>
Change in Net Position	3,008,559	(841,150)
Net Position, Beginning of Year	<u>965,380</u>	<u>1,806,530</u>
Net Position, End of Year	<u><u>\$ 3,973,939</u></u>	<u><u>\$ 965,380</u></u>

# Fairview Municipal Hospital Authority

## Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Receipts from or on behalf of patients	\$ 6,714,741	\$ 5,701,767
Other receipts and disbursements, net	164,378	128,068
Payments to suppliers and contractors	(2,237,607)	(2,446,595)
Payments to and on behalf of employees	<u>(5,260,808)</u>	<u>(4,656,822)</u>
Net Cash used for Operating Activities	<u>(619,296)</u>	<u>(1,273,582)</u>
Noncapital Related Financing Activities		
Net proceeds from PPP loan	-	773,700
Net proceeds from CMS advance payments	-	1,633,341
Recoupments of CMS advance payments	(102,081)	-
Receipts from Provider Relief Fund	149,461	3,108,017
Non capital contributions and donations	<u>102,783</u>	<u>5,884</u>
Net Cash from Noncapital Related Financing Activities	<u>150,163</u>	<u>5,520,942</u>
Capital and Capital Related Financing Activities		
Purchase of capital assets	(1,486,056)	(132,578)
Sales tax restricted to capital acquisitions	391,730	384,578
Debt proceeds	124,766	-
Principal payments on debt obligations	(370,753)	(345,464)
Interest paid on debt obligations	(51,340)	(74,212)
Capital contributions	<u>-</u>	<u>25,121</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(1,391,653)</u>	<u>(142,555)</u>
Investing Activities		
Purchase of short-term investments	(1,505,509)	-
Investment income	<u>12,167</u>	<u>2,876</u>
Net cash from (used for) investing activities	<u>(1,493,342)</u>	<u>2,876</u>
Net Change in Cash and Cash Equivalents	(3,354,128)	4,107,681
Cash and Cash Equivalents, Beginning of Year	<u>4,805,892</u>	<u>698,211</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,451,764</u></u>	<u><u>\$ 4,805,892</u></u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 895,903	\$ 1,311,025
Cash, restricted	<u>555,861</u>	<u>3,494,867</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,451,764</u></u>	<u><u>\$ 4,805,892</u></u>

# Fairview Municipal Hospital Authority

## Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Loss to Net		
Cash used for Operating Activities		
Operating loss	\$ (1,332,910)	\$ (1,170,485)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation and amortization	505,870	437,234
Provision for bad debts	427,956	611,765
Changes in assets and liabilities		
Patient and other receivables	(323,605)	(768,030)
Supplies	(61,916)	(29,463)
Prepaid expenses	(1,636)	(4,945)
Estimated third party payor settlements	102,457	(99,554)
Change in note payable financed insurance	-	(3,200)
Accounts payable and other accrued expenses	35,272	(394,424)
Accrued salaries and payroll taxes	1,252	73,403
Accrued vacation	27,964	74,117
	<u>\$ (619,296)</u>	<u>\$ (1,273,582)</u>
Net Cash used for Operating Activities		
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Equipment purchased through capital lease arrangement	<u>\$ 29,212</u>	<u>\$ 21,503</u>
Paycheck Protection Program Loan forgiveness	<u>\$ 773,700</u>	<u>\$ -</u>

**Note 1 - Principal Activity and Significant Accounting Policies**

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

**Reporting Entity**

The hospital is owned by the City of Fairview and is leased for a term of fifty years to the Fairview Municipal Hospital Authority under a lease agreement dated August 31, 1981. The Fairview Municipal Hospital Authority was established on September 2, 1980, pursuant to Title 60, Oklahoma Statutes 1971. The City of Fairview is the beneficiary. Management and control of the hospital was directed by a board of control that was appointed by the Fairview Municipal Hospital Authority. The operation of the hospital is governed by a Hospital Operating Agreement dated December 1, 1989. The hospital is located in Fairview, Oklahoma and is a critical access facility with 25 beds that also provides rural health clinic services.

On May 1, 2014, the Fairview Regional Medical Center Authority, a public trust, was established pursuant to Title 60 Oklahoma Statutes 2001, sections 176 to 180.4 inclusive, as amended and supplemented. The City of Fairview is the beneficiary. The initial trustees were trustees of the board of control discussed above.

On May 20, 2014, a sub-lease agreement was entered into between Fairview Municipal Hospital Authority, a public trust (landlord), and the Fairview Regional Medical Center Authority (tenant) for the hospital facilities on a month to month basis.

**Blended Component Unit**

Fairview Regional Medical Center Authority is a Title 60 Trust exempt under section 115 of the Internal Revenue Code. The Fairview Regional Medical Center Authority is included as a blended component unit of the Authority. The financial statements include the financial activity of the Fairview Municipal Hospital Authority and the Fairview Regional Medical Center Authority, collectively referred to as the Authority. Financial statements of the Fairview Regional Medical Center Authority can be obtained by contacting the Authority's Administrator.

**Measurement Focus and Basis of Accounting**

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

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

**Basis of Presentation**

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

*Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations 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:*

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

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority.

*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.



**Restricted Cash**

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash includes proceeds from sales tax which are restricted for renovating, expanding, equipping, and maintaining the hospital facilities, debt payments incurred for those purposes and from the Provider Relief Fund (Note 3). Assets that are available for obligations classified as current liabilities are reported in current assets.

**Short-Term Investments**

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

**Patient Receivables**

Patient receivables are uncollateralized customer and third-party payor obligations. Unpaid 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. 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.

**Supplies**

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

**Capital Assets**

Capital assets acquisitions in excess of \$5,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. 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 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.

**Compensated Absences**

The Authority's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. The liability for compensated absences is reported as accrued vacation in the accompanying financial statements.

**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 established rates. Since the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$143,000 and \$189,000 for the years ended June 30, 2021 and 2020. Total direct and indirect costs related to these foregone charges were approximately \$80,000 and \$111,000 based on an average ratio of cost to gross charges.

**Grants and Contributions**

From time to time, the Authority receives 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 is reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Sales Tax Revenue**

The Authority received approximately 4% and 6% of its financial support during 2021 and 2020 from sales taxes levied. These funds were used entirely to support building renovations, major repairs and improvements. The tax was effective April 2002 and shall terminate after September 2027.

**Reclassifications**

Reclassifications have been made to the June 30, 2020 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

**Note 2 - Net Patient 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: The Authority is licensed as a Critical Access Hospital (CAH). The Authority is reimbursed for most acute care services under a cost reimbursement method with final settlement determined after submission of annual cost reports by the Authority and are subject to 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, 2018. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates with no retrospective adjustment.

Other: 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.

# Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020:

	2021	2020
Medicare	50%	48%
Medicaid	8%	9%
Commercial	37%	36%
Self-pay	5%	7%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended June 30, 2021 and 2020 increased approximately \$56,000 and \$53,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

## CMS Advance Payments

The CMS advance payments balance consists of 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 \$1,633,341 in advance payments during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after payments are received and will continue until the balance of the advanced payments have been recouped, or for 29 months from the date that each advance 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. The portion expected to be recouped in the next 12 months is included in current liabilities and the portion expected to be recouped in greater than 12 months is presented in long-term liabilities in the accompanying statements of net position.

Anticipated recoupments for the CMS advance payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 908,776
2023	<u>622,484</u>
Total	<u>\$ 1,531,260</u>

**Note 3 - Provider Relief Fund**

The Authority received \$149,461 and \$3,108,017 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) for the years ended June 30, 2021 and 2020. 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 and lost revenues, varying based on the date the Authority received the funds. Unspent funds will be expected to be repaid.

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

As of June 30, 2021 and 2020, the Authority had a liability of \$149,461 and \$3,108,017, which was included in current liabilities on the accompanying statement of net position under refundable advance – Provider Relief Fund, as well as restricted cash totaling \$149,461 and \$3,108,017, which is subject to the restrictions imposed by HHS. During the year ended June 30, 2021 and 2020, the Authority recognized \$3,108,016 and \$-0- as revenue included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

**Note 4 - Deposits**

The carrying amounts of the Authority's deposits at June 30, 2021 and 2020 as follows:

	2021	2020
Carrying Amount		
Cash Deposits in Banks	\$ 2,957,273	\$ 4,805,892

## Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 895,903	\$ 1,311,025
Cash, restricted	555,861	3,494,867
Short-term investments	<u>1,505,509</u>	<u>-</u>
	<u>\$ 2,957,273</u>	<u>\$ 4,805,892</u>

### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes authorize the Authority to invest its excess cash balances generally in time deposits, open accounts, certificates of deposit or certain repurchase agreements of commercial banks or trust companies, state or generally chartered savings and loan associations or generally chartered savings banks having offices in the state and in certain circumstances, specified United States Treasury obligations.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The Authority has a general investment policy to minimize custodial credit risk.

The Authority's deposits in banks at June 30, 2021 and 2020 were entirely covered by federal depository insurance or by collateral held by the Authority's custodial bank in the Authority's name.

## Note 5 - Capital Assets

Capital assets additions, retirements or transfers, and balances for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Transfers and Retirements	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 4,044	\$ -	\$ -	\$ 4,044
Construction in progress	18,196	72,812	(42,097)	48,911
Total capital assets not being depreciated	<u>\$ 22,240</u>	<u>\$ 72,812</u>	<u>\$ (42,097)</u>	<u>\$ 52,955</u>
Capital assets being depreciated				
Building and improvements	\$ 7,566,646	\$ -	\$ -	\$ 7,566,646
Equipment	3,797,510	1,442,456	42,097	5,282,063
Total capital assets being depreciated	<u>11,364,156</u>	<u>\$ 1,442,456</u>	<u>\$ 42,097</u>	<u>12,848,709</u>
Less accumulated depreciation for:				
Building and improvements	5,681,228	\$ 235,938	\$ -	5,917,166
Equipment	3,113,412	269,932	-	3,383,344
Total accumulated depreciation	<u>8,794,640</u>	<u>\$ 505,870</u>	<u>\$ -</u>	<u>9,300,510</u>
Net capital assets being depreciated	<u>\$ 2,569,516</u>			<u>\$ 3,548,199</u>
Capital assets, net	<u>\$ 2,591,756</u>			<u>\$ 3,601,154</u>

Construction in progress at June 30, 2021 represents a physical therapy outpatient clinic. The estimated cost to complete the project is \$1.6 million. The project is being funded by an Economic Development Cares Act grant which requires a 20 percent match from the Authority. Funds from the grant will be disbursed to the Authority as eligible expenses are incurred. No grant funds were received during the year ended June 30, 2021. The project is expected to be completed July 2022.

# Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

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

	Balance June 30, 2019	Additions and Transfers	Transfers and Retirements	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 4,044	\$ -	\$ -	\$ 4,044
Construction in progress	11,169	7,027	-	18,196
Total capital assets not being depreciated	<u>\$ 15,213</u>	<u>\$ 7,027</u>	<u>\$ -</u>	<u>\$ 22,240</u>
Capital assets being depreciated				
Building and improvements	\$ 7,566,646	\$ -	\$ -	\$ 7,566,646
Equipment	3,650,456	147,054	-	3,797,510
Total capital assets being depreciated	<u>11,217,102</u>	<u>\$ 147,054</u>	<u>\$ -</u>	<u>11,364,156</u>
Less accumulated depreciation for:				
Building and improvements	5,443,420	\$ 237,808	\$ -	5,681,228
Equipment	2,913,984	199,428	-	3,113,412
Total accumulated depreciation	<u>8,357,404</u>	<u>\$ 437,236</u>	<u>\$ -</u>	<u>8,794,640</u>
Net capital assets being depreciated	<u>\$ 2,859,698</u>			<u>\$ 2,569,516</u>
Capital assets, net	<u>\$ 2,874,911</u>			<u>\$ 2,591,756</u>

## Note 6 - Lease Obligations

The Authority leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. The rental expense for all operating leases was \$30,540 and \$21,622 for the years ended June 30, 2021 and 2020. The capitalized lease assets consist of:

	2021	2020
Major movable equipment	\$ 265,591	\$ 236,379
Less accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(133,737)</u>	<u>(84,027)</u>
	<u>\$ 131,854</u>	<u>\$ 152,352</u>



# Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

Minimum future lease payments for capital leases are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 61,665
2023	15,745
2024	8,591
2025	<u>4,958</u>
Total minimum lease payments	90,959
Less interest imputed at rates from 7.50% to 10.25%	<u>(6,380)</u>
Present value of minimum lease payments - Note 7	<u>\$ 84,579</u>

Minimum future lease payments for operating leases are not significant at June 30, 2021 and 2020.

## Note 7 - Long-Term Debt

The Authority's long-term debt from direct borrowings and capital leases at June 30, 2021 and 2020 consists of:

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Payments/ Forgiveness</u>	<u>Balance 6/30/21</u>	<u>Due Within One Year</u>
Long-term notes payable:					
Note payable to bank (1)	\$ 504,309	\$ -	\$ 194,209	\$ 310,100	\$ 204,145
Note payable to bank (2)	662,654	-	109,030	553,624	113,063
PPP Loan	773,700	-	773,700	-	-
Note payable (3)	<u>          </u>	<u>124,766</u>	<u>3,770</u>	<u>120,996</u>	<u>23,156</u>
Total long-term Notes payable	1,940,663	124,766	1,080,709	984,720	340,364
Capitalized lease obligations - Note 6	<u>119,111</u>	<u>29,212</u>	<u>63,744</u>	<u>84,579</u>	<u>58,247</u>
Total long-term debt	<u>\$ 2,059,774</u>	<u>\$ 153,978</u>	<u>\$ 1,144,453</u>	<u>\$ 1,069,299</u>	<u>\$ 398,611</u>

# Fairview Municipal Hospital Authority

## Notes to Financial Statements

June 30, 2021 and 2020

	Balance 6/30/19	Additions	Payments	Balance 6/30/20	Due Within One Year
Long-term notes payable:					
Note payable to bank (1)	\$ 689,068	\$ -	\$ 184,759	\$ 504,309	\$ 194,209
Note payable to bank (2)	761,320	-	98,666	662,654	108,793
PPP Loan	-	773,700	-	773,700	340,338
Total long-term Notes payable	1,450,388	773,700	281,880	1,940,663	643,340
Capitalized lease obligations - Note 6	159,647	21,503	62,039	119,111	59,353
Total long-term debt	<u>\$ 1,610,035</u>	<u>\$ 795,203</u>	<u>\$ 343,919</u>	<u>\$ 2,059,774</u>	<u>\$ 702,693</u>

The terms and due dates of the Authority's notes payable at June 30, 2021 and 2020 are as follows:

- (1) Note payable to bank, 5% interest rate, due in monthly installments of \$17,917 including interest, through December 2022, collateralized by 1% sales tax ordinance.
- (2) Note payable to bank, 3.85% interest rate, due in monthly installments of \$11,032 including interest, through January 2026, collateralized by accounts receivable, equipment and real estate.
- (3) Note payable to finance company, 4% imputed interest rate, due in monthly installments of \$2,297 including interest, through April 2026, collateralized by equipment

### PPP Loan

The Authority was granted a \$773,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Authority initially recorded a note payable and subsequently recorded the forgiveness when the loan was legally released by the SBA and lender. The Authority recognized \$773,700 of loan forgiveness income for the year ended June 30, 2021.

Scheduled principal and interest repayments on long-term notes payable is as follows:

Years Ending June 30,	Long-Term Notes		Total
	Principal	Interest	
2022	\$ 340,363	\$ 34,610	\$ 374,973
2023	247,554	19,911	267,465
2024	147,167	12,792	159,959
2025	153,005	6,953	159,958
2026	96,631	1,327	97,958
Total	<u>\$ 984,720</u>	<u>\$ 75,593</u>	<u>\$ 1,060,313</u>

## Note 8 - Retirement Plan

### Defined Contribution Plan

The Authority adopted a defined contribution 457 Savings Plan covering substantially all employees who have over 1,000 hours of service and are at least 21 years of age.

The Plan allows for eligible employees to contribute a percentage of pre-tax annual compensation as defined in the Plan. The Authority may make optional profit sharing contributions subject to certain limitations imposed by the Internal Revenue Service. The Authority did not make any contributions during the years ended June 30, 2021, 2020 and 2019.

Participants are immediately vested in their voluntary contribution plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is 100% vested after three years of service.

## Note 9 - Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to 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.

Critical access hospitals are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. The Authority records receipts as reduction in Medicaid contractual adjustments. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

The Authority received SHOPP payments totaling approximately \$157,000 and \$122,000 for the years ended June 30, 2021 and 2020, respectively, which is included in net patient service revenue.

**Note 10 - Concentrations of Credit Risk**

The Authority grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2021 and 2020 were as follows:

	2021	2020
Medicare and Medicaid	35%	45%
Other third-party payors	40%	32%
Patients	25%	23%
	<u>100%</u>	<u>100%</u>

**Note 11 - Contingencies****Risk Management**

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

**Malpractice Insurance**

The Authority has 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 aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

**Litigation, Claims and Disputes**

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of task under its various programs. In the opinion of management, the ultimate settlement of 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 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 with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

### COVID-19 Pandemic

During 2021 and 2020, the world-wide coronavirus pandemic impacted national and global economies. The Authority is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Authority is not known.

### Note 12 - Presentation of Blended Component Units

The following summarized combining information for Fairview Municipal Hospital Authority and Fairview Regional Medical Center Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2021:

Statement of Net Position	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
<b>Assets</b>			
Current assets	\$ 475,983	\$ 3,409,837	\$ 3,885,820
Capital assets	1,961,620	1,639,534	3,601,154
<b>Total Assets</b>	<b>\$ 2,437,603</b>	<b>\$ 5,049,371</b>	<b>\$ 7,486,974</b>
<b>Liabilities</b>			
Current liabilities	\$ 320,995	\$ 1,898,868	\$ 2,219,863
Long-term liabilities	546,516	746,656	1,293,172
<b>Total liabilities</b>	<b>867,511</b>	<b>2,645,524</b>	<b>3,513,035</b>
<b>Net Position</b>			
Net investment in capital assets	1,097,896	1,433,959	2,531,855
Restricted, expendable for capital acquisitions	475,983	-	475,983
Unrestricted	(3,787)	969,888	966,101
	<b>1,570,092</b>	<b>2,403,847</b>	<b>3,973,939</b>
<b>Total liabilities and net position</b>	<b>\$ 2,437,603</b>	<b>\$ 5,049,371</b>	<b>\$ 7,486,974</b>

# Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

	Year ended June 30, 2021		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Operating Results and Changes in Net Position			
Operating Revenues			
Net patient service revenue	\$ -	\$ 6,515,301	\$ 6,515,301
Other operating revenue	-	157,012	157,012
Total operating revenue	-	6,672,313	6,672,313
Operating Expenses			
Depreciation	329,391	176,479	505,870
Other operating expenses	2,000	7,497,353	7,499,353
Total operating expense	331,391	7,673,832	8,005,223
Operating Loss	(331,391)	(1,001,519)	(1,332,910)
Nonoperating Revenue (Expense)			
Sales tax revenue	396,142	-	396,142
Provider Relief Funds revenue	-	3,108,017	3,108,017
Forgiveness of PPP loan	-	773,700	773,700
Interest expense	1,008	11,159	12,167
Other	(44,252)	(7,088)	(51,340)
Grants	-	102,783	102,783
Total non operating revenue	352,898	3,988,571	4,341,469
Change in Net Position	21,507	2,987,052	3,008,559
Net Position, Beginning of Year	1,548,585	(583,205)	965,380
Net Position, End of Year	\$ 1,570,092	\$ 2,403,847	\$ 3,973,939

# Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

	Year ended June 30, 2021		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Statement of Cash Flows			
Net Cash used for Operating Activities	\$ (151,463)	\$ (467,833)	\$ (619,296)
Net Cash from Noncapital Financing Activities	149,461	702	150,163
Net Cash from (used for) Capital and Capital Related Financing Activities	20,544	(1,412,197)	(1,391,653)
Net Cash from (used for) Investing Activities	1,008	(1,494,350)	(1,493,342)
Change in Cash and Cash Equivalents	19,550	(3,373,678)	(3,354,128)
Cash and Cash Equivalents, Beginning of Year	386,850	4,419,042	4,805,892
Cash and Cash Equivalents, End of Year	<u>\$ 406,400</u>	<u>\$ 1,045,364</u>	<u>\$ 1,451,764</u>

The following summarized combining information for Fairview Municipal Hospital Authority and Fairview Regional Medical Center Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2020:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Statement of Net Position			
Assets			
Current assets	\$ 452,021	\$ 5,365,268	\$ 5,817,289
Capital assets	2,267,316	324,440	2,591,756
Total Assets	<u>\$ 2,719,337</u>	<u>\$ 5,689,708</u>	<u>\$ 8,409,045</u>
Liabilities			
Current liabilities	\$ 306,791	\$ 4,286,193	\$ 4,592,984
Long-term liabilities	863,961	1,986,720	2,850,681
Total liabilities	<u>1,170,752</u>	<u>6,272,913</u>	<u>7,443,665</u>
Net Position			
Net investment in capital assets	1,100,353	205,399	1,305,752
Restricted, expendable for capital acquisitions	452,021	-	452,021
Unrestricted	(3,789)	(788,604)	(792,393)
	<u>1,548,585</u>	<u>(583,205)</u>	<u>965,380</u>
Total liabilities and net position	<u>\$ 2,719,337</u>	<u>\$ 5,689,708</u>	<u>\$ 8,409,045</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

	Year ended June 30, 2020		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Operating Results and Changes in Net Position			
Operating Revenues			
Net patient service revenue	\$ -	\$ 5,934,593	\$ 5,934,593
Other operating revenue	-	151,061	151,061
Total operating revenue	-	6,085,654	6,085,654
Operating Expenses			
Depreciation	323,751	113,483	437,234
Other operating expenses	2,000	6,816,903	6,818,903
Total operating expense	325,751	6,930,386	7,256,137
Operating Loss	(325,751)	(844,732)	(1,170,483)
Nonoperating Revenue (Expense)			
Sales tax revenue	369,664	-	369,664
Interest expense	(67,193)	(7,019)	(74,212)
Investment Income	1,094	1,782	2,876
Grants	-	5,884	5,884
Total non operating revenue (expense)	303,565	647	304,212
Capital Contributions	-	25,121	25,121
Change in Net Position	(22,186)	(818,964)	(841,150)
Net Position Beginning of Year	1,570,771	235,759	1,806,530
Net Position End of Year	\$ 1,548,585	\$ (583,205)	\$ 965,380



# Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2021 and 2020

	Year ended June 30, 2020		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Statement of Cash Flows			
Net Cash used for Operating Activities	\$ (5,204)	\$ (1,268,378)	\$ (1,273,582)
Net Cash from Noncapital Financing Activities	3,202	5,517,740	5,520,942
Net Cash used for Capital and related Financing Activities	(51,666)	(90,889)	(142,555)
Net Cash from Investing Activities	<u>1,094</u>	<u>1,782</u>	<u>2,876</u>
Change in Cash and Cash Equivalents	(52,574)	4,160,255	4,107,681
Cash and Cash Equivalents, Beginning of Year	<u>439,424</u>	<u>258,787</u>	<u>698,211</u>
Cash and Cash Equivalents, End of Year	<u>\$ 386,850</u>	<u>\$ 4,419,042</u>	<u>\$ 4,805,892</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**

Board of Trustees  
Fairview Municipal Hospital Authority  
Fairview, 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 Fairview Municipal Hospital Authority (Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 22, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses, 2021-001 and 2021-002.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Responses, to be a significant deficiency, 2021-003.

### **Compliance and Other Matters**

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

### **Authority's Responses to Findings**

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

### **Purpose of this Report**

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

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

Oklahoma City, Oklahoma  
November 22, 2021

**Material Weaknesses In Internal Control Over Financial Reporting:**

**2021-001      Preparation of Financial Statements**

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

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

*Cause:* This deficiency is partly due to limited resources in the financial reporting process due to budgetary constraints. Furthermore, management has elected to have the financial statements and footnotes prepared by a party outside of management.

*Effect:* The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Authority. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

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

*Management Response:* Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost but will continue evaluating on a going forward basis.

**2021-002      Clinic Patient Revenue Recognition**

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

*Condition:* During the course of our engagement, we noted that the Authority incorrectly reported clinic revenue in a period that the revenue was not earned.

**Findings Related to Financial Statements: (continued)**

*Cause:* The Authority was not obtaining completed charts from the clinic on a timely basis which caused a significant number of unbilled encounters which delayed billing and revenue recognition.

*Effect:* Inadequate review could adversely affect the Authority's ability to detect and correct unintentional or intentional misstatements.

*Auditor's Recommendation:* We recommend the Authority review and update policies and procedures for clinic billing.

*Management Response:* Management agrees with the finding and will work with the clinic physicians to ensure timely billing.

**Significant Deficiencies in Internal Control Over Financial Reporting:**

**2021-003      Segregation of Duties**

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

*Condition:* During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity.

*Cause:* The Authority's size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures.

*Effect:* Inadequate segregation of duties could adversely affect the Authority's ability to detect and correct unintentional or intentional misstatements in a timely manner by employees in the normal course of performing their assigned functions.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations. In addition, we recommend that the functions be reviewed to determine if additional segregation is feasible to improve efficiency and effectiveness of the financial management of the organization.

*Management Response:* Management accepts the risk associated with this condition and continues to monitor the assignment of duties to obtain maximum internal control under the circumstances.