



Management's Discussion and Analysis  
and Financial Statements  
June 30, 2022 and 2021

**Tahlequah Hospital Authority**  
**dba Northeastern Health System**  
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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June 30, 2022 and 2021

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## Independent Auditor's Report

The Board of Trustees  
Tahlequah Hospital Authority  
dba Northeastern Health System  
A Component Unit of the City of Tahlequah, Oklahoma  
Tahlequah, Oklahoma

### Report on Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Tahlequah Hospital Authority, dba Northeastern Health System (Authority), a Component Unit of the City of Tahlequah, Oklahoma, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues and expenses, changes in net position and cash flows for the years then ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022 on our consideration of the 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 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 Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
November 4, 2022

This discussion and analysis of the financial performance of Tahlequah Hospital Authority, dba Northeastern Health System (Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended June 30, 2022, 2021 and 2020. 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, including noncontrolling interest, increased by \$2,104,308 or 3% in 2022 and decreased \$2,054,484 or 3% in 2021.
- The Authority reported an operating loss in 2022 of \$2,781,548 and operating loss in 2021 of \$4,516,234. Operating loss decreased \$1,734,686 or 38% in 2022 over 2021. Operating loss decreased \$8,866,046 or 66% in 2021 over 2020.
- The Authority's total assets decreased \$13,597,172 or 11% in 2022 and decreased \$3,069,762 or 2% in 2021.
- The Authority's total liabilities decreased \$16,782,309 or 26% in 2022 and decreased \$1,750,841 or 3% in 2021.

### **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 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 as 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 operating, investing and financing activities. It provides answers to such questions as where cash came 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, liabilities, and deferred inflows of resources reported in the Statement of Net Position. The Authority's net position increased by \$2,104,308 or 3% in 2022 and decreased \$2,054,484 or 3% in 2021, as shown in Table 1.

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

	2022	2021	2020
<b>Assets</b>			
Current assets	\$ 48,905,607	\$ 55,284,095	\$63,775,370
Capital assets	42,285,670	45,701,974	44,970,920
Other noncurrent assets	24,454,648	28,257,028	23,566,569
Total assets	115,645,925	129,243,097	132,312,859
<b>Deferred Outflows of Resources</b>	-	950,110	1,685,673
Total assets and deferred outflows of resources	<u>\$ 115,645,925</u>	<u>\$ 130,193,207</u>	<u>\$ 133,998,532</u>
<b>Liabilities</b>			
Current liabilities	\$ 24,126,077	\$ 31,183,736	\$18,195,398
Long-term liabilities	22,527,351	32,252,001	46,991,180
Total liabilities	46,653,428	63,435,737	65,186,578
<b>Deferred Inflows of Resources</b>	130,719	-	-
<b>Net Position</b>			
Invested in capital assets, net of related debt	20,139,031	21,640,999	15,461,117
Unrestricted	48,405,786	44,593,799	52,796,174
Restricted, nonexpendable net position noncontrolling interest	316,961	522,672	554,663
Total net position	68,861,778	66,757,470	68,811,954
Total liabilities, deferred inflows of resources and net position	<u>\$ 115,645,925</u>	<u>\$ 130,193,207</u>	<u>\$ 133,998,532</u>

A significant component of the change in the Authority's assets are the changes in cash and cash equivalents, patient receivables and capital assets. Cash and cash equivalents increased in 2022 by \$5,729,765 or 68% and decreased in 2021 by \$17,541,314 or 68%. The increase in 2022 is due to the sale of investments. The decrease in 2021 is due to the purchase of investments. Internally designated investments decreased in 2022 by \$11,502,885 or 100% and increased in 2021 by \$11,502,885 or 12%. The decrease in 2022 is due to recoupments of the CMS Advance Program payments. The increase in 2021 is due to purchase of investments. Patient receivables decreased in 2022 by \$1,212,818 or 5% and increased in 2021 by \$2,356,285 or 12%. The decrease in 2022 is due to an increase in collections by Authority. The increase in 2021 is due to an increase in services provided by the Authority. Capital assets decreased in 2022 by \$3,416,304 or 7% and increased in 2021 by \$731,054 or 2%. The decrease in 2022 is due to depreciation expense being greater than the purchase of capital assets. The increase in 2021 is due to the purchase of capital assets.

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

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Significant components of the change in the Authority's liabilities are the decrease in long-term debts, CMS advance payments, and accounts payable. Long-term debt, including current maturities, decreased in 2022 by \$1,914,336 or 9% and decreased in 2021 by \$2,503,327 or 10%, due to the Authority making scheduled debt payments. CMS advance payment decreased in 2022 by \$12,915,424 or 71% and decreased in 2021 by \$1,817,671 or 9%, due to CMS recouping the advance payments. Accounts payable decreased in 2022 by \$1,201,351 or 11% and increased in 2021 by \$2,542,486 or 30%. The decrease in 2022 is due to the payments made at year end. The increase in 2021 is due to the increase in cost of supplies and timing of payments.

**Table 2: Operating Results**

	2022	2021	2020
Operating Revenues			
Net patient service revenue	\$ 129,295,010	\$ 113,102,573	\$98,331,956
Other revenue	7,536,755	7,294,485	6,911,899
Total operating revenues	<u>136,831,765</u>	<u>120,397,058</u>	<u>105,243,855</u>
Expenses			
Nursing services	40,162,703	35,830,601	32,014,689
Other professional services	62,005,082	56,196,873	52,405,998
General services	9,001,231	8,374,158	9,118,310
Administrative services	22,692,934	19,290,821	19,827,577
Other expenses	709,556	593,992	799,006
Depreciation and amortization	5,041,807	4,626,847	4,460,555
Total expenses	<u>139,613,313</u>	<u>124,913,292</u>	<u>118,626,135</u>
Operating (Loss) Income	<u>(2,781,548)</u>	<u>(4,516,234)</u>	<u>(13,382,280)</u>
Nonoperating Revenue (Expense)			
Investment income (loss)	(1,744,304)	1,514,328	2,049,408
Provider relief funds	4,742,631	350,961	13,163,017
Income from joint ventures	2,736,326	1,936,392	1,975,477
Interest expense	(1,016,188)	(1,162,260)	(1,348,083)
Gain (loss) on disposal of capital assets	394,671	5,691	(3,646)
Contributions expense	(48,200)	(14,400)	(38,323)
Nonoperating revenues, net	<u>5,064,936</u>	<u>2,630,712</u>	<u>15,797,850</u>
Revenues in Excess of (Less Than) Expenses	2,283,388	(1,885,522)	2,415,570
Noncontrolling Interest	<u>26,631</u>	<u>(136,971)</u>	<u>(107,522)</u>
Change in Net Position, Excluding Noncontrolling Interest	<u>\$ 2,310,019</u>	<u>\$ (2,022,493)</u>	<u>\$ 2,308,048</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 \$2,781,548 in 2022 compared to operating loss of \$4,516,234 in 2021 and operating loss of \$13,382,280 in 2020. The operating losses in 2022, 2021 and 2020 were offset by \$4,742,631, \$350,961 and \$13,163,017 of CARES ACT funds recorded under nonoperating revenues in 2022, 2021 and 2020.

The primary components of the operating loss are:

- Net patient service revenue increased \$16,192,437 or 14% in 2022 and increased \$14,770,617 or 15% in 2021. The increase in 2022 and 2021 is attributed to an increase in services provided by the Authority.
- Other professional services expenses increased \$5,808,209 or 10% in 2022 and increased \$3,790,875 or 7% in 2021. The increase in 2022 and 2021 is attributed to the increase in services provided.
- Nursing services expenses increased \$4,332,102 or 12% in 2022 and increased \$3,815,912 or 12% in 2021. The increases in 2022 and 2021 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 (loss), provider relief funds, income from joint ventures and interest expense. Investment income decreased \$3,258,632 or 215% in 2022 and decreased \$535,080 or 26% in 2021. Provider relief funds increased \$4,391,670 or 1,251% in 2022 and decreased \$12,812,056 or 97% in 2021. Income from joint ventures increased \$799,934 or 41% in 2022 and decreased \$39,085 or 2% in 2021. Interest expense decreased \$146,072 or 13% in 2022 and decreased \$185,823 or 14% in 2021.

## 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 was \$2,230,976 in 2022 compared to net cash from operating activities of \$2,279,790 in 2021 for a decrease of \$227,894.
- Net cash used for non-capital financing activities was \$8,220,993 in 2022 compared net cash from non-capital financing activities was \$3,518,890 in 2021 for an increase of \$11,739,883 or 334%. The change in 2022 is a result of the increased recoupments of the CMS advance program payments.
- Net cash used for capital and capital related financing activities was \$4,462,559 in 2022 compared to net cash used for capital and capital related financing activities of \$9,900,913 in 2021 for a decrease of \$5,438,354 or 55%. The change in 2022 consisted of a decrease in the purchase of property and equipment and decrease in payments on long-term debt.

- Net cash from investing activities was \$16,182,341 in 2022 compared to net cash used for investing activities of \$13,439,081 in 2021 for an increase of \$29,800,502 or 222%. The change in 2022 consisted of the sale of investments.

### **Capital Assets**

At the end of 2022, the Authority had \$42,285,670 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2022, the Authority purchased new capital assets costing \$3,080,528. At the end of 2021, the Authority had \$45,701,974 invested in capital assets, net of accumulated depreciation. In 2021, the Authority purchased new capital assets costing \$5,356,887.

### **Debt**

At June 30, 2022 and 2021, the Authority had outstanding long-term debt of \$22,146,639 and \$24,060,975 as detailed in Note 9 to the financial statements. The Authority issued no debt during 2022 and 2021.

### **Economic Factors and Next Year's Budget**

The Authority continues to monitor costs throughout the year. The 2023 fiscal year operating budget indicates conservative net revenue of approximately \$143,987,000. 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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 8,608,437	\$ 7,317,305
Board designated cash	209,292	1,107,913
Internally designated cash equivalents for CMS Advance Program	5,337,254	-
Internally designated investments for CMS Advance Program	-	11,502,885
Receivables		
Patient, net of estimated uncollectibles of \$13,188,000 in 2022 and \$13,942,000 in 2021	20,981,582	22,194,400
Other	7,231,448	7,422,826
Related parties	7,850	329,684
Estimated third-party payor settlements	984,806	1,027,479
Supplies	3,613,561	3,322,224
Prepaid expenses	1,931,377	1,059,379
Total current assets	<u>48,905,607</u>	<u>55,284,095</u>
Capital Assets, Net		
Non-depreciable capital assets	2,085,248	3,511,270
Depreciable capital assets, net	40,200,422	42,190,704
Total capital assets, net	<u>42,285,670</u>	<u>45,701,974</u>
Other Assets		
Investments in joint ventures	7,348,978	6,642,246
Assets held under deferred compensation agreement	729,256	747,296
Internally designated investments for CMS Advance Program	-	3,466,894
Investments	13,710,890	14,844,872
Investment in captive insurance	1,265,700	1,220,030
Other	1,399,824	1,335,690
Total other assets	<u>24,454,648</u>	<u>28,257,028</u>
Total assets	<u>115,645,925</u>	<u>129,243,097</u>
Deferred Outflows of Resources	<u>-</u>	<u>950,110</u>
Total assets and deferred outflows of resources	<u><u>\$ 115,645,925</u></u>	<u><u>\$ 130,193,207</u></u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Statements of Net Position  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 1,463,788	\$ 1,565,882
Current maturities of CMS Advance Program	5,219,425	11,502,885
Current maturities of software agreement	309,916	300,354
Accounts payable	9,778,967	10,980,318
Accrued expenses		
Salaries and benefits payable	2,160,431	1,669,488
Vacation	3,108,537	2,827,391
Payroll taxes and other	934,546	2,318,933
Related party payable	1,150,467	18,485
Total current liabilities	<u>24,126,077</u>	<u>31,183,736</u>
Long-Term Liabilities		
Long-term debt, less current maturities	20,682,851	22,495,093
CMS advance program, less current maturities	-	6,631,964
Software agreement, less current maturities	1,115,244	1,427,538
Deferred compensation	729,256	747,296
Other liabilities	-	950,110
Total long-term liabilities	<u>22,527,351</u>	<u>32,252,001</u>
Total liabilities	<u>46,653,428</u>	<u>63,435,737</u>
Deferred Inflows of Resources	<u>130,719</u>	<u>-</u>
Net Position		
Net investment in capital assets	20,139,031	21,640,999
Unrestricted	48,405,786	44,593,799
Restricted, nonexpendable net position noncontrolling interest	<u>316,961</u>	<u>522,672</u>
Total net position	<u>68,861,778</u>	<u>66,757,470</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 115,645,925</u>	<u>\$ 130,193,207</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Statements of Revenues and Expenses  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenue		
Net patient service revenue (net of provision for bad debts of \$20,673,012 in 2022 and \$20,539,244 in 2021)	\$ 129,295,010	\$ 113,102,573
Other revenue	<u>7,536,755</u>	<u>7,294,485</u>
Total operating revenue	<u>136,831,765</u>	<u>120,397,058</u>
Expenses		
Nursing services	40,162,703	35,830,601
Other professional services	62,005,082	56,196,873
General services	9,001,231	8,374,158
Administrative services	22,692,934	19,290,821
Other expenses	709,556	593,992
Depreciation and amortization	<u>5,041,807</u>	<u>4,626,847</u>
Total expenses	<u>139,613,313</u>	<u>124,913,292</u>
Operating Loss	<u>(2,781,548)</u>	<u>(4,516,234)</u>
Nonoperating Revenues (Expenses)		
Investment income (loss)	(1,744,304)	1,514,328
Provider relief funds	4,742,631	350,961
Income from joint ventures	2,736,326	1,936,392
Interest expense	(1,016,188)	(1,162,260)
Gain (loss) on disposal of capital assets	394,671	5,691
Contributions expense	<u>(48,200)</u>	<u>(14,400)</u>
Nonoperating revenues (expenses), net	<u>5,064,936</u>	<u>2,630,712</u>
Revenues in Excess of (Less Than) Expenses and Change in Net Position	2,283,388	(1,885,522)
Less Income Attributable to Noncontrolling Interest	<u>26,631</u>	<u>(136,971)</u>
Change in Net Position, Excluding Noncontrolling Interest	<u>\$ 2,310,019</u>	<u>\$ (2,022,493)</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Statements of Changes in Net Position  
Years Ended June 30, 2022 and 2021

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	Noncontrolling Interest	Controlling Interest	Total
Net Position, June 30, 2020	\$ 554,663	\$ 68,257,291	\$ 68,811,954
Member Distributions	(168,962)	-	(168,962)
Change in Net Position	<u>136,971</u>	<u>(2,022,493)</u>	<u>(1,885,522)</u>
Net Position, June 30, 2021	522,672	66,234,798	66,757,470
Member Distributions	(179,080)	-	(179,080)
Change in Net Position	<u>(26,631)</u>	<u>2,310,019</u>	<u>2,283,388</u>
Net Position, June 30, 2022	<u><u>\$ 316,961</u></u>	<u><u>\$ 68,544,817</u></u>	<u><u>\$ 68,861,778</u></u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Cash received from patient services	\$ 130,550,501	\$ 110,246,288
Other operating receipts	8,180,686	7,053,200
Cash payments to suppliers for goods and services	(87,050,496)	(73,537,070)
Cash payments to and on behalf of employees for services	<u>(49,449,715)</u>	<u>(41,482,628)</u>
Net Cash from Operating Activities	<u>2,230,976</u>	<u>2,279,790</u>
Noncapital Financing Activities		
Contributions made	(48,200)	(14,400)
Provider relief funds	4,742,631	5,350,961
CMS advance program payments	<u>(12,915,424)</u>	<u>(1,817,671)</u>
Net Cash (used for) from Noncapital Financing Activities	<u>(8,220,993)</u>	<u>3,518,890</u>
Capital and Capital Related Financing Activities		
Payments on long-term debt	(2,217,068)	(3,386,443)
Payment of interest on long-term debt	(1,016,188)	(1,162,260)
Purchase of property and equipment	(3,080,529)	(5,357,901)
Proceeds from sale of capital assets	<u>1,851,226</u>	<u>5,691</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(4,462,559)</u>	<u>(9,900,913)</u>
Investing Activities		
Distribution to noncontrolling interest	(179,080)	(168,962)
Distributions received from joint ventures	2,029,594	1,179,358
Investment income	161,327	632,994
Purchase of investments	(1,228,910)	(15,082,471)
Proceeds sale of investments	<u>15,399,410</u>	<u>-</u>
Net Cash (used for) from Investing Activities	<u>16,182,341</u>	<u>(13,439,081)</u>
Net Change in Cash and Cash Equivalents	5,729,765	(17,541,314)
Cash and Cash Equivalents, Beginning of Year	<u>8,425,218</u>	<u>25,966,532</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 14,154,983</u></u>	<u><u>\$ 8,425,218</u></u>

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Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 8,608,437	\$ 7,317,305
Board designated cash	209,292	1,107,913
Internally designated cash equivalents	<u>5,337,254</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 14,154,983</u>	<u>\$ 8,425,218</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (2,781,548)	\$ (4,516,234)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	5,041,807	4,626,847
Provision for bad debts	20,673,012	20,539,244
Changes in assets and liabilities		
Patient receivables	(19,460,194)	(22,895,529)
Other receivables	191,378	(1,480,089)
Due from related parties	321,834	1,238,804
Supplies	(291,337)	(209,573)
Prepays	(873,527)	759,989
Other assets	66,585	527,495
Accounts payable	(1,201,351)	2,542,486
Accrued expenses	(612,298)	1,524,458
Deferred compensation	(18,040)	144,599
Estimated third-party payor settlement	42,673	(500,000)
Due to related parties	<u>1,131,982</u>	<u>(22,707)</u>
Net Cash from Operating Activities	<u>\$ 2,230,976</u>	<u>\$ 2,279,790</u>
Supplemental Disclosure of Non-cash Capital and Capital Related Financing and Investing Activities		
Income from joint venture	<u>\$ 2,736,326</u>	<u>\$ 1,936,392</u>
Vested in other investments	<u>\$ 270,251</u>	<u>\$ 40,120</u>
Vested in captive insurance	<u>\$ 45,670</u>	<u>\$ 123,918</u>

**Note 1 - Reporting Entity and Summary of Significant Accounting Policies**

The financial statements of the Tahlequah Hospital Authority, dba Northeastern Health System (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 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 physician, 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.

**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 by remaining board members.

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. During 2021, the Authority transferred the operations from NOCC to the Hospital.

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, accounting, and other various consulting services to other joint ventures of Tahlequah Hospital Authority and other Oklahoma facilities.

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, 2022 and 2021.

*Restricted – 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.

### **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.

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At June 30, 2022 and 2021, notes receivable from physicians and employees totaled \$1,904,687 and \$1,939,119 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:

<u>Year Ending June 30,</u>	
2023	\$ 634,086
2024	592,719
2025	359,886
2025	168,000
2026	83,500
2028 to 2032	<u>66,496</u>
Total	<u><u>\$ 1,904,687</u></u>

#### 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.

#### Internally Designated Investments and Cash Equivalents for CMS Advance Program

Internally designated investments and cash equivalents for CMS Advance Program include assets set aside by the Board of Trustees to match the current obligations of the CMS advance payments, over which the Board retains control and may at its discretion subsequently use for other purposes. Internally designated investments and cash equivalents for CMS Advance Program that are available for obligations classified as current liabilities are reported in current assets.

#### 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	1-20 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 the Authority withdraws from the insurance captive subsequent to the initial three-year commitment, the Authority will be entitled to its paid in capital and surplus account five years from the termination date. As of June 30, 2022 and 2021, 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. 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.

### **Deferred Inflows of Resources**

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Authority has only one item that qualifies for reporting in this category, which is the interest rate swap.

### **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 \$3,759,000 and \$3,531,000 for the years ended June 30, 2022 and 2021. Total direct and indirect cost related to those forgone charges were approximately \$1,383,000 and \$1,282,000 at June 30, 2022 and 2021, 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 \$2,229,624 and \$1,903,042 included in administrative services, for the years ended June 30, 2022 and 2021. In return, the Authority received \$9,677,343 and \$6,008,101 included in net patient service revenue, for the years ended June 30, 2022 and 2021.

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

### **Implementation of GASB Statement No. 87**

As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

### **Reclassifications**

Reclassifications have been made to the June 30, 2021 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: 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, 2019.

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.

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, 2022 and 2021:

	2022	2021
Medicare	34%	41%
Medicaid	17%	11%
Blue Cross and other commercial payors	46%	44%
Self pay and other	3%	4%
	<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.

### **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. 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 statement of net position.

### **Note 3 - Provider Relief Funds**

The Authority received \$4,742,631 and \$5,350,961 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) in fiscal years 2022 and 2021. 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 deadlines for incurring eligible expenses and lost revenues, varying based on the date the Hospital received the funds. Unspent funds will be expected to be repaid.

During the years ended June 30, 2022 and 2021, the Authority recognized \$4,742,631 and \$350,961 as revenue, included as nonoperating revenues.

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.

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**Note 4 - Deposits, Investments and Investment Income**

The carrying amounts of deposits and investments as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Carrying amount		
Cash and deposits	\$ 14,154,983	\$ 8,871,499
Investments	<u>13,710,890</u>	<u>29,814,651</u>
	<u>\$ 27,865,873</u>	<u>\$ 38,686,150</u>

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,608,437	\$ 7,317,305
Board designated cash	209,292	1,107,913
Internally designated cash equivalents for CMS Advance Program	5,337,254	-
Internally designated investments for CMS Advance Program	-	14,969,779
Long-term investments	<u>13,710,890</u>	<u>15,291,153</u>
Total	<u>\$ 27,865,873</u>	<u>\$ 38,686,150</u>

**Deposits - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Authority's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. 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.

As of June 30, 2022 and 2021, \$14,674,574 of the Authority's bank balance of \$15,994,194 and \$6,664,855 of the Authority's bank balance of \$8,441,119 was exposed to custodial credit risk as follows:

	<u>2022</u>	<u>2021</u>
Insured (FDIC)	\$ 1,319,620	\$ 1,776,264
Collateralized by securities held by the pledging financial institution's trust department in the Authority's name	14,674,574	6,243,718
Uncollateralized - non-government joint venture exempt from statute	<u>-</u>	<u>421,137</u>
Total	<u>\$ 15,994,194</u>	<u>\$ 8,441,119</u>

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## 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, 2022:

Type	Fair Value	Investment Maturities (in Years)			
		Ratings	Less than 1	1 - 5	6-10
Domestic fixed income	\$ 2,065,803	Ba2 - Aaa	\$ 197,586	\$ 1,283,858	\$ 584,359
Closed end mutual funds and EFT's - fixed income	8,635,335				
Domestic equities	2,157,771				
International equities	851,981				
	<u>\$ 13,710,890</u>				

The Authority had the following investments and maturities at June 30, 2021:

Type	Fair Value	Investment Maturities (in Years)			
		Ratings	Less than 1	1 - 5	6-10
Domestic fixed income	\$ 2,767,435	Baa1 - Aaa	\$ 272,000	\$ 1,825,128	\$ 670,307
International fixed income	209,559	Baa2 - A1	28,659	180,900	-
	2,976,994		<u>\$ 300,659</u>	<u>\$ 2,006,028</u>	<u>\$ 670,307</u>
Closed end mutual funds and EFT's - fixed income	23,880,811				
Domestic equities	2,095,649				
International equities	861,197				
	<u>\$ 29,814,651</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, 2022 and 2021, 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, 2022 and 2021, 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 (including mutual funds) may range from 10% to 40%, fixed income (including mutual funds) may range from 60% to 90% and cash equivalents (including mutual funds) may range from 0% to 30% of the total investment portfolio. As of June 30, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 982,617	\$ 637,471
Change in unrealized gains and losses on investments	(2,726,921)	876,857
Total	<u>\$ (1,744,304)</u>	<u>\$ 1,514,328</u>

### 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.

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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.

The following table presents fair value measurements the Authority’s investments as of June 30, 2022:

	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	\$ 2,065,803	\$ -	\$ 2,065,803	\$ -
Closed end mutual funds and EFT's - fixed income	8,635,335	-	8,635,335	-
Corporate stocks	3,009,752	2,060,513	-	949,239
Total investments by fair value level	<u>\$ 13,710,890</u>	<u>\$ 2,060,513</u>	<u>\$ 10,701,138</u>	<u>\$ 949,239</u>

The following table presents fair value measurements of Authority’s investments as of June 30, 2021:

	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	\$ 2,767,435	\$ -	\$ 2,767,435	\$ -
Bonds - international	209,559	-	209,559	-
Closed end mutual funds and EFT's - fixed income	23,880,811	-	23,880,811	-
Corporate stocks	2,956,846	2,277,858	-	678,988
Total investments by fair value level	<u>\$ 29,814,651</u>	<u>\$ 2,277,858</u>	<u>\$ 26,857,805</u>	<u>\$ 678,988</u>

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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.

**Note 6 - Capital Assets**

Capital assets additions, retirements, and balances for the year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Additions	Transfers and Retirements	Balance June 30, 2022
Non-depreciable capital assets				
Land	\$ 3,011,411	\$ -	\$ (1,345,983)	\$ 1,665,428
Construction in progress	499,859	1,121,032	(1,201,071)	419,820
Total non-depreciable capital assets	<u>\$ 3,511,270</u>	<u>\$ 1,121,032</u>	<u>\$ (2,547,054)</u>	<u>\$ 2,085,248</u>
Depreciable capital assets				
Land improvements	\$ 634,672	\$ -	\$ -	\$ 634,672
Buildings and fixed equipment	52,147,702	477,847	976,667	53,602,216
Major movable equipment	36,410,202	1,481,649	(28,288)	37,863,563
Total depreciable capital assets	<u>89,192,576</u>	<u>\$ 1,959,496</u>	<u>\$ 948,379</u>	<u>92,100,451</u>
Less accumulated depreciation for				
Land and improvements	(525,117)	\$ (23,408)	\$ -	(548,525)
Buildings and fixed equipment	(20,210,916)	(1,948,553)	(197,143)	(22,356,612)
Major movable equipment	(26,265,839)	(3,069,846)	340,793	(28,994,892)
Total accumulated depreciation	<u>(47,001,872)</u>	<u>\$ (5,041,807)</u>	<u>\$ 143,650</u>	<u>(51,900,029)</u>
Net capital assets being depreciated	<u>\$ 42,190,704</u>			<u>\$ 40,200,422</u>
Capital assets, net	<u>\$ 45,701,974</u>			<u>\$ 42,285,670</u>

The majority of construction in progress at June 30, 2022 represents the construction of minor projects with various completion dates.

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

	Balance June 30, 2020	Additions	Transfers and Retirements	Balance June 30, 2021
Non-depreciable capital assets				
Land	\$ 3,011,411	\$ -	\$ -	\$ 3,011,411
Construction in progress	1,444,076	1,692,443	(2,636,660)	499,859
Total non-depreciable capital assets	<u>\$ 4,455,487</u>	<u>\$ 1,692,443</u>	<u>\$ (2,636,660)</u>	<u>\$ 3,511,270</u>
Depreciable capital assets				
Land improvements	\$ 634,672	\$ -	\$ -	\$ 634,672
Buildings and fixed equipment	47,976,742	1,519,410	2,651,550	52,147,702
Major movable equipment	36,927,191	2,145,034	(2,662,023)	36,410,202
Total depreciable capital assets	<u>85,538,605</u>	<u>\$ 3,664,444</u>	<u>\$ (10,473)</u>	<u>89,192,576</u>
Less accumulated depreciation for				
Land and improvements	(501,622)	\$ (23,495)	\$ -	(525,117)
Buildings and fixed equipment	(18,672,425)	(1,637,942)	99,451	(20,210,916)
Major movable equipment	(25,849,125)	(2,965,410)	2,548,696	(26,265,839)
Total accumulated depreciation	<u>(45,023,172)</u>	<u>\$ (4,626,847)</u>	<u>\$ 2,648,147</u>	<u>(47,001,872)</u>
Net capital assets being depreciated	<u>\$ 40,515,433</u>			<u>\$ 42,190,704</u>
Capital assets, net	<u>\$ 44,970,920</u>			<u>\$ 45,701,974</u>

**Note 7 - Joint Ventures and Blended Component Units**

The Authority uses the equity method to account for the joint ventures listed below. At June 30, 2022 and 2021, the Authority's investment in joint ventures consisted of the following:

	2022	2021
Cherokee Health Partners, LLC	\$ 2,272,148	\$ 1,664,517
Platte Dialysis, LLC	5,076,830	4,977,729
Total investment in joint ventures	<u>\$ 7,348,978</u>	<u>\$ 6,642,246</u>

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Joint venture activity for the years ended June 30, 2022 and 2021 are as follow:

	Balance June 30, 2021	Joint Venture Income	Distributions	Contributions/ (Sales)	Balance June 30, 2022
Cherokee Health Partners, LLC	\$ 1,664,517	\$ 607,631	\$ -	\$ -	\$ 2,272,148
Platte Dialysis, LLC	4,977,729	2,128,695	(2,029,599)	-	5,076,825
	<u>\$ 6,642,246</u>	<u>\$ 2,736,326</u>	<u>\$ (2,029,599)</u>	<u>\$ -</u>	<u>\$ 7,348,973</u>
	Balance June 30, 2020	Joint Venture Income	Distributions	Contributions/ (Sales)	Balance June 30, 2021
Cherokee Health Partners, LLC	\$ 1,246,455	\$ 618,659	\$ (200,597)	\$ -	\$ 1,664,517
Platte Dialysis, LLC	4,638,757	1,317,733	(978,761)	-	4,977,729
	<u>\$ 5,885,212</u>	<u>\$ 1,936,392</u>	<u>\$ (1,179,358)</u>	<u>\$ -</u>	<u>\$ 6,642,246</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 2022 and 2021, the Authority was paid \$707,967 and \$728,709 for services and building space provided to CHP. These amounts are included in operating revenues. The Authority was owed \$1,224,219 and \$2,629,987 for the years ended June 30, 2022 and 2021. The receivable is included in related party amounts.

A component unit of CHP, Northeast Oklahoma Heart Center (NOHC), provides cardiovascular management services to the Tahlequah Hospital Authority. During 2022 and 2021, the Authority was paid \$14,262,263 and \$11,945,190 for services provided to NOHC. These amounts are included in operating revenues. The Authority owed \$1,566,915 and \$1,874,455 at June 30, 2022 and 2021. The amount is included in related party amounts.

### 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.

## **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, 2022 and 2021, 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 by remaining board members.

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, 2022 and 2021, 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. During 2021, the Authority began the process of transferring the operations of NOCC into the Authority with an inter-governmental transfer. As of June 30, 2022, the authority completed the process of transferring the operations of NOCC into the Authority. The Authority is evaluating terminating the limited liability company.

### **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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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 - Software Agreement**

The Authority entered into a non cancelable software agreement. As of June 30, 2022 the value of the software liability was \$1,425,160. The value of the monthly payments based on contract provisions requires the Authority to make monthly payments of \$26,092.

Scheduled payments on the software agreement are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 309,916
2024	313,104
2025	313,104
2026	313,104
2027	<u>175,932</u>
Total	<u><u>\$ 1,425,160</u></u>

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**Note 9 - Notes Payable and Long-Term Debt**

Long-term debt consists of:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Notes from Direct Borrowings	<u>\$ 24,060,975</u>	<u>\$ -</u>	<u>\$ (1,914,336)</u>	<u>\$ 22,146,639</u>	<u>\$ 1,463,788</u>
	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Notes from Direct Borrowings	<u>\$ 26,564,302</u>	<u>\$ -</u>	<u>\$ (2,503,327)</u>	<u>\$ 24,060,975</u>	<u>\$1,565,882</u>

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The terms, due dates, and securing collateral of the Authority's long-term debt at June 30, 2022 and 2021 follow:

	<u>2022</u>	<u>2021</u>
Notes from Direct Borrowings		
Hospital 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	\$ 11,636,263	\$ 12,465,424
Foundation 4.75% note payable, due in monthly installments of \$3,925 including interest, through January 2027, secured by property	349,083	384,216
Foundation 4.0% note payable, due in monthly installments of \$4,878 including interest, through December 2028, secured by land	335,960	380,245
Hospital 4.5% note payable, due in monthly installments of \$29,359 including interest, through December 2031, secured by property	2,710,401	2,934,338
Foundation 5.0% note payable, due in monthly installments of \$5,876 including interest, through August 2033, secured by building	606,860	652,117
Foundation 3.87% note payable up to \$7,400,000, due in monthly installments of \$40,096 including interest, through October 2031, secured by building	6,508,072	6,647,824
Foundation 4.1% note payable	-	136,766
Foundation 4.1% note payable	-	206,059
NOD 2.75% note payable	-	248,960
NWM 3.2% note payable	-	5,026
	<u>22,146,639</u>	<u>24,060,975</u>
Total notes payable/mortgage loans		
	22,146,639	24,060,975
Less current maturities	<u>(1,463,788)</u>	<u>(1,565,882)</u>
Long-term debt, less current maturities	<u>\$ 20,682,851</u>	<u>\$ 22,495,093</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,463,788	\$ 907,776
2024	1,539,699	842,888
2025	1,607,456	775,132
2026	1,874,780	704,379
2027	1,710,768	624,720
2028 to 2032	13,872,575	1,133,436
2033 to 2037	77,573	2,381
Total	<u>\$ 22,146,639</u>	<u>\$ 4,990,712</u>

The provisions of the 4.39% 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.

<u>Notional Value</u>			
<u>Original</u>	<u>2022</u>	<u>2021</u>	<u>Interest Paid</u>
15,000,000	11,565,866	12,403,318	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 receivable totaling \$130,719 and a liability totaling \$950,110 at June 30, 2022 and 2021 and was included in other assets and noncurrent liabilities.

#### Credit Risk

The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. As of June 30, 2022, the Authority has hedging derivative instruments in asset positions. As of June 30, 2021, 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**

The Authority has 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. Employee contributions to the plan fully vest at the date of contribution.

The Authority has a discretionary 457b contribution plan which allows the Authority to match employee 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.

Total pension expense for the years ended June 30, 2022, 2021, and 2020 was \$1,835,674, \$0, and \$831,236.

### **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, 2022 and 2021, the value of deferred compensation totaled \$729,256 and \$747,296.

**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, 2022 and 2021 was as follows:

	2022	2021
Medicare	18%	19%
Medicaid	10%	7%
Other third-party payors	48%	49%
Patients	24%	25%
	<u>100%</u>	<u>100%</u>

**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 \$70,000 per claim and an annual aggregate limit of \$5,200,000 for the plan year ended December 31, 2022.

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:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2022	\$ 333,000	\$ 3,628,761	\$ (3,659,761)	\$ 302,000
2021	218,000	3,670,626	(3,555,626)	333,000

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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, 2022.

Statement of net position as of June 30, 2022:

	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
<b>Assets</b>									
Current assets	\$ 44,044,244	\$ 2,373,439	\$ 108,329	\$ 3,669,493	\$ -	\$ 455,318	\$ 12,000	\$ (1,757,216)	\$ 48,905,607
Capital assets, net	26,618,953	280,784	27,981	15,357,952	-	-	-	-	42,285,670
Other noncurrent assets	36,819,542	-	-	53,191	-	-	-	(12,418,085)	24,454,648
<b>Total assets</b>	<b>\$ 107,482,739</b>	<b>\$ 2,654,223</b>	<b>\$ 136,310</b>	<b>\$ 19,080,636</b>	<b>\$ -</b>	<b>\$ 455,318</b>	<b>\$ 12,000</b>	<b>\$ (14,175,301)</b>	<b>\$ 115,645,925</b>
<b>Liabilities</b>									
Current liabilities	\$ 23,970,152	\$ 211,549	\$ 1,175,914	\$ 438,341	\$ -	\$ 32,222	\$ 55,118	\$ (1,757,219)	\$ 24,126,077
Deferred compensation	729,256	-	-	-	-	-	-	-	729,256
Long-term debt, less current maturities	14,410,373	-	-	7,440,913	-	-	-	(53,191)	21,798,095
<b>Total liabilities</b>	<b>39,109,781</b>	<b>211,549</b>	<b>1,175,914</b>	<b>7,879,254</b>	<b>-</b>	<b>32,222</b>	<b>55,118</b>	<b>(1,810,410)</b>	<b>46,653,428</b>
Deferred Inflows of Resources	130,719	-	-	-	-	-	-	-	130,719
<b>Net Position</b>									
Net investment in capital assets	12,213,498	280,784	27,981	7,557,977	-	-	-	58,791	20,139,031
Unrestricted	56,028,741	1,429,088	(651,744)	3,643,405	-	423,096	(43,118)	(12,423,682)	48,405,786
Restricted, nonexpendable net position noncontrolling interest	-	732,802	(415,841)	-	-	-	-	-	316,961
<b>Total net position</b>	<b>68,242,239</b>	<b>2,442,674</b>	<b>(1,039,604)</b>	<b>11,201,382</b>	<b>-</b>	<b>423,096</b>	<b>(43,118)</b>	<b>(12,364,891)</b>	<b>68,861,778</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 107,482,739</b>	<b>\$ 2,654,223</b>	<b>\$ 136,310</b>	<b>\$ 19,080,636</b>	<b>\$ -</b>	<b>\$ 455,318</b>	<b>\$ 12,000</b>	<b>\$ (14,175,301)</b>	<b>\$ 115,645,925</b>

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Operating results and changes in net position for the year ended June 30, 2022:

	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	\$ 129,295,010	\$ 1,491,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,491,787)	\$ 129,295,010
Other revenue	5,287,074	273,524	365,976	2,455,879	-	600,860	-	(1,446,558)	7,536,755
Total operating revenue	<u>134,582,084</u>	<u>1,765,311</u>	<u>365,976</u>	<u>2,455,879</u>	<u>-</u>	<u>600,860</u>	<u>-</u>	<u>(2,938,345)</u>	<u>136,831,765</u>
Expenses									
Depreciation and amortization	4,086,341	410,660	5,520	539,286	-	-	-	-	5,041,807
Other operating expenses	<u>134,441,542</u>	<u>699,190</u>	<u>590,672</u>	<u>488,668</u>	<u>-</u>	<u>629,303</u>	<u>-</u>	<u>(2,277,869)</u>	<u>134,571,506</u>
Total operating expenses	<u>138,527,883</u>	<u>1,109,850</u>	<u>596,192</u>	<u>1,027,954</u>	<u>-</u>	<u>629,303</u>	<u>-</u>	<u>(2,277,869)</u>	<u>139,613,313</u>
Operating Income (Loss)	(3,945,799)	655,461	(230,216)	1,427,925	-	(28,443)	-	(660,476)	(2,781,548)
Nonoperating Revenues (Expenses)	<u>6,097,898</u>	<u>90,706</u>	<u>-</u>	<u>(318,185)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(805,483)</u>	<u>5,064,936</u>
Revenues in Excess of (Less Than) Expenses	2,152,099	746,167	(230,216)	1,109,740	-	(28,443)	-	(1,465,959)	2,283,388
Noncontrolling Interest	<u>-</u>	<u>(65,455)</u>	<u>92,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,631</u>
Change in Net Position, Excluding Noncontrolling Interest	2,152,099	680,712	(138,130)	1,109,740	-	(28,443)	-	(1,465,959)	2,310,019
Net Position, Beginning of Year	66,090,140	1,626,094	(485,633)	10,091,642	478	451,539	(43,118)	(11,496,344)	66,234,798
Members' Distributions	-	(596,934)	-	-	(478)	-	-	597,412	-
Noncontrolling Interests	<u>-</u>	<u>732,802</u>	<u>(415,841)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,961</u>
Net Position, End of Year	<u>\$ 68,242,239</u>	<u>\$ 2,442,674</u>	<u>\$ (1,039,604)</u>	<u>\$ 11,201,382</u>	<u>\$ -</u>	<u>\$ 423,096</u>	<u>\$ (43,118)</u>	<u>\$ (12,364,891)</u>	<u>\$ 68,861,778</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Notes to Financial Statements  
June 30, 2022 and 2021

Cash flows for the year ended June 30, 2022:

	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	\$ (776,827)	\$ 1,174,616	\$ (4,859)	\$ 1,771,291	\$ -	\$ 66,755	\$ -	\$ -	\$ 2,230,976
Net cash from (used for) noncapital financing activities	(8,220,515)	-	-	-	(478)	-	-	-	(8,220,993)
Net cash used for capital and related financing activities	(4,118,950)	(324,254)	(5,026)	(14,329)	-	-	-	-	(4,462,559)
Net cash from (used for) investing activities	16,664,155	(501,269)	-	19,455	-	-	-	-	16,182,341
Net change in cash and cash equivalents	3,547,863	349,093	(9,885)	1,776,417	(478)	66,755	-	-	5,729,765
Cash and cash equivalents, beginning of year	4,745,941	1,827,454	17,505	1,453,137	478	368,703	12,000	-	8,425,218
Cash and cash equivalents, end of year	<u>\$ 8,293,804</u>	<u>\$ 2,176,547</u>	<u>\$ 7,620</u>	<u>\$ 3,229,554</u>	<u>\$ -</u>	<u>\$ 435,458</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 14,154,983</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Notes to Financial Statements  
June 30, 2022 and 2021

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, 2021.

Statement of net position as of June 30, 2021:

	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
<b>Assets</b>									
Current assets	\$ 52,265,804	\$ 2,102,237	\$ 71,394	\$ 1,637,360	\$ 478	\$ 490,140	\$ 12,000	\$ (1,295,318)	\$ 55,284,095
Capital assets, net	28,226,473	621,109	33,501	16,820,891	-	-	-	-	45,701,974
Other noncurrent assets	39,574,292	-	-	58,791	-	-	-	(11,376,055)	28,257,028
<b>Total assets</b>	<b>120,066,569</b>	<b>2,723,346</b>	<b>104,895</b>	<b>18,517,042</b>	<b>478</b>	<b>490,140</b>	<b>12,000</b>	<b>(12,671,373)</b>	<b>129,243,097</b>
<b>Deferred Outflows of Resources</b>	<b>950,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>950,110</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 121,016,679</b>	<b>\$ 2,723,346</b>	<b>\$ 104,895</b>	<b>\$ 18,517,042</b>	<b>\$ 478</b>	<b>\$ 490,140</b>	<b>\$ 12,000</b>	<b>\$ (12,671,373)</b>	<b>\$ 130,193,207</b>
<b>Liabilities</b>									
Current liabilities	\$ 30,763,274	\$ 298,668	\$ 914,283	\$ 409,110	\$ -	\$ 38,601	\$ 55,118	\$ (1,295,318)	\$ 31,183,736
Deferred compensation	747,296	-	-	-	-	-	-	-	747,296
Long-term debt, less current maturities	23,415,969	131,237	-	8,016,290	-	-	-	(58,791)	31,504,705
<b>Total liabilities</b>	<b>54,926,539</b>	<b>429,905</b>	<b>914,283</b>	<b>8,425,400</b>	<b>-</b>	<b>38,601</b>	<b>55,118</b>	<b>(1,354,109)</b>	<b>63,435,737</b>
<b>Net Position</b>									
Net investment in capital assets	12,762,539	372,149	28,475	8,413,664	-	-	-	64,172	21,640,999
Unrestricted	53,327,601	1,074,865	(514,108)	1,677,978	478	451,539	(43,118)	(11,381,436)	44,593,799
Restricted, nonexpendable net position noncontrolling interest	-	846,427	(323,755)	-	-	-	-	-	522,672
<b>Total net position</b>	<b>66,090,140</b>	<b>2,293,441</b>	<b>(809,388)</b>	<b>10,091,642</b>	<b>478</b>	<b>451,539</b>	<b>(43,118)</b>	<b>(11,317,264)</b>	<b>66,757,470</b>
<b>Total liabilities and net position</b>	<b>\$ 121,016,679</b>	<b>\$ 2,723,346</b>	<b>\$ 104,895</b>	<b>\$ 18,517,042</b>	<b>\$ 478</b>	<b>\$ 490,140</b>	<b>\$ 12,000</b>	<b>\$ (12,671,373)</b>	<b>\$ 130,193,207</b>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Notes to Financial Statements  
June 30, 2022 and 2021

Operating results and changes in net position for the year ended June 30, 2021:

	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	\$ 113,091,596	\$ 1,491,517	\$ -	\$ -	\$ 10,977	\$ -	\$ -	\$ (1,491,517)	\$ 113,102,573
Other revenue	5,269,195	288,178	388,397	1,700,904	-	682,874	-	(1,035,063)	7,294,485
Total operating revenue	118,360,791	1,779,695	388,397	1,700,904	10,977	682,874	-	(2,526,580)	120,397,058
Expenses									
Depreciation and amortization	3,613,336	442,796	5,756	553,711	11,248	-	-	-	4,626,847
Other operating expenses	120,456,139	722,042	568,224	294,881	(527)	507,248	(87)	(2,261,475)	120,286,445
Total operating expenses	124,069,475	1,164,838	573,980	848,592	10,721	507,248	(87)	(2,261,475)	124,913,292
Operating Income (Loss)	(5,708,684)	614,857	(185,583)	852,312	256	175,626	87	(265,105)	(4,516,234)
Nonoperating Revenues (Expenses)	3,685,627	89,155	-	(348,868)	222	-	-	(795,424)	2,630,712
Revenues in Excess of (Less Than) Expenses	(2,023,057)	704,012	(185,583)	503,444	478	175,626	87	(1,060,529)	(1,885,522)
Noncontrolling Interest	-	(211,204)	74,233	-	-	-	-	-	(136,971)
Change in Net Position, Excluding Noncontrolling Interest	(2,023,057)	492,808	(111,350)	503,444	478	175,626	87	(1,060,529)	(2,022,493)
Net Position, Beginning of Year	68,587,687	1,517,414	(374,283)	9,588,198	1,132,257	275,913	(43,205)	(12,426,690)	68,257,291
Transfer of shares	(474,490)	-	-	-	(1,132,257)	-	-	1,606,747	-
Members' Distributions	-	(563,208)	-	-	-	-	-	563,208	-
Noncontrolling Interest	-	846,427	(323,755)	-	-	-	-	-	522,672
Net Position, End of Year	\$ 66,090,140	\$ 2,293,441	\$ (809,388)	\$ 10,091,642	\$ 478	\$ 451,539	\$ (43,118)	\$ (11,317,264)	\$ 66,757,470

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Notes to Financial Statements  
June 30, 2022 and 2021

Cash flows for the year ended June 30, 2021:

	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	\$ 146,419	\$ 959,969	\$ 54,214	\$ 1,263,769	\$ (38,354)	\$ 158,924	\$ -	\$ (265,151)	\$ 2,279,790
Net cash used for noncapital financing activities	3,518,890	-	-	-	-	-	-	-	3,518,890
Net cash used for capital and related financing activities	(8,841,674)	(123,097)	(63,835)	(1,137,458)	-	-	-	265,151	(9,900,913)
Net cash from (used for) investing activities	<u>(12,984,225)</u>	<u>(465,491)</u>	<u>-</u>	<u>10,413</u>	<u>222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,439,081)</u>
Net change in cash and cash equivalents	(18,160,590)	371,381	(9,621)	136,724	(38,132)	158,924	-	-	(17,541,314)
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 4,745,941</u>	<u>\$ 1,827,454</u>	<u>\$ 17,505</u>	<u>\$ 1,453,137</u>	<u>\$ 478</u>	<u>\$ 368,703</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 8,425,218</u>



Supplementary Information  
June 30, 2022 and 2021

**Tahlequah Hospital Authority**  
**dba Northeastern Health System**  
A Component Unit of the City of Tahlequah, Oklahoma



## Independent Auditor's Report on Supplementary Information

The Board of Trustees  
Tahlequah Hospital Authority dba Northeastern Health System  
A Component Unit of the City of Tahlequah, Oklahoma  
Tahlequah, Oklahoma

We have audited the financial statements of Tahlequah Hospital Authority dba Northeastern Health System, a Component Unit of the City of Tahlequah, Oklahoma as of and for the years ended June 30, 2022 and 2021 and our report thereon dated November 4, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
November 4, 2022

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Combining Schedule – Statement of Net Position Information  
June 30, 2022

	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
<b>Assets</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 2,747,258	\$ 2,176,547	\$ 7,620	\$ 3,229,554	\$ -	\$ 435,458	\$ 12,000	\$ -	\$ 8,608,437
Board designated cash	209,292	-	-	-	-	-	-	-	209,292
Internally designated cash equivalents for CMS Advance Program	5,337,254	-	-	-	-	-	-	-	5,337,254
Receivables									
Patient, net	20,981,582	-	-	-	-	-	-	-	20,981,582
Other	8,333,594	42,339	-	427,493	-	18,592	-	(1,590,570)	7,231,448
Current portion long-term receivable	-	-	-	5,600	-	-	-	(5,600)	-
Related parties	-	97,926	70,970	-	-	-	-	(161,046)	7,850
Estimated third-party payor settlements	984,806	-	-	-	-	-	-	-	984,806
Supplies	3,587,118	-	26,443	-	-	-	-	-	3,613,561
Prepaid expenses	1,863,340	56,627	3,296	6,846	-	1,268	-	-	1,931,377
<b>Total current assets</b>	<b>44,044,244</b>	<b>2,373,439</b>	<b>108,329</b>	<b>3,669,493</b>	<b>-</b>	<b>455,318</b>	<b>12,000</b>	<b>(1,757,216)</b>	<b>48,905,607</b>
<b>Capital Assets, Net</b>	<b>26,618,953</b>	<b>280,784</b>	<b>27,981</b>	<b>15,357,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,285,670</b>
<b>Other Assets</b>									
Investment in NOD	1,102,350	-	-	-	-	-	-	(1,102,350)	-
Interest in Foundation	11,225,670	-	-	-	-	-	-	(11,225,670)	-
Investment in NOMSO	423,098	-	-	-	-	-	-	(423,098)	-
Investment in CHP	2,272,148	-	-	-	-	-	-	-	2,272,148
Investment in Platte Dialysis	5,076,830	-	-	-	-	-	-	-	5,076,830
Investment in NWM	(386,224)	-	-	-	-	-	-	386,224	-
<b>Total investments</b>	<b>19,713,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,364,894)</b>	<b>7,348,978</b>
Assets held under deferred compensation agreement	729,256	-	-	-	-	-	-	-	729,256
Investments	13,710,890	-	-	-	-	-	-	-	13,710,890
Investment in captive insurance	1,265,700	-	-	-	-	-	-	-	1,265,700
Long-term receivable, net of current portion	-	-	-	53,191	-	-	-	(53,191)	-
Other	1,399,824	-	-	-	-	-	-	-	1,399,824
<b>Total other assets</b>	<b>36,819,542</b>	<b>-</b>	<b>-</b>	<b>53,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,418,085)</b>	<b>24,454,648</b>
<b>Total assets</b>	<b>\$ 107,482,739</b>	<b>\$ 2,654,223</b>	<b>\$ 136,310</b>	<b>\$ 19,080,636</b>	<b>\$ -</b>	<b>\$ 455,318</b>	<b>\$ 12,000</b>	<b>\$ (14,175,301)</b>	<b>\$ 115,645,925</b>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Combining Schedule – Statement of Net Position Information  
June 30, 2022

	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
<b>Liabilities and Net Position</b>									
<b>Current Liabilities</b>									
Current maturities of long-term debt	\$ 1,110,326	\$ -	\$ -	\$ 359,062	\$ -	\$ -	\$ -	\$ (5,600)	\$ 1,463,788
Current maturities of CMS advance payments	5,219,425	-	-	-	-	-	-	-	5,219,425
Current maturities of software agreement	309,916	-	-	-	-	-	-	-	309,916
Accounts payable	10,047,781	211,549	1,175,914	-	-	32,222	-	(1,688,499)	9,778,967
Accrued expenses									
Salaries and benefits payable	2,160,431	-	-	-	-	-	-	-	2,160,431
Vacation	3,108,537	-	-	-	-	-	-	-	3,108,537
Payroll taxes and other	934,546	-	-	-	-	-	-	-	934,546
Due to related parties	1,079,190	-	-	79,279	-	-	55,118	(63,120)	1,150,467
<b>Total current liabilities</b>	<b>23,970,152</b>	<b>211,549</b>	<b>1,175,914</b>	<b>438,341</b>	<b>-</b>	<b>32,222</b>	<b>55,118</b>	<b>(1,757,219)</b>	<b>24,126,077</b>
<b>Long-Term Liabilities</b>									
Long-term debt, less current maturities	13,295,129	-	-	7,440,913	-	-	-	(53,191)	20,682,851
CMS advance payments, less current maturities	-	-	-	-	-	-	-	-	-
Software agreement	1,115,244	-	-	-	-	-	-	-	1,115,244
Deferred compensation	729,256	-	-	-	-	-	-	-	729,256
Other liabilities	-	-	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>	<b>15,139,629</b>	<b>-</b>	<b>-</b>	<b>7,440,913</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,191)</b>	<b>22,527,351</b>
<b>Total liabilities</b>	<b>39,109,781</b>	<b>211,549</b>	<b>1,175,914</b>	<b>7,879,254</b>	<b>-</b>	<b>32,222</b>	<b>55,118</b>	<b>(1,810,410)</b>	<b>46,653,428</b>
<b>Deferred Inflows of Resources</b>	<b>130,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,719</b>
<b>Net Position</b>									
Net investment in capital assets	12,213,498	280,784	27,981	7,557,977	-	-	-	58,791	20,139,031
Unrestricted	56,028,741	1,429,088	(651,744)	3,643,405	-	423,096	(43,118)	(12,423,682)	48,405,786
Restricted, nonexpendable net position noncontrolling interest	-	732,802	(415,841)	-	-	-	-	-	316,961
<b>Total net position</b>	<b>68,242,239</b>	<b>2,442,674</b>	<b>(1,039,604)</b>	<b>11,201,382</b>	<b>-</b>	<b>423,096</b>	<b>(43,118)</b>	<b>(12,364,891)</b>	<b>68,861,778</b>
<b>Total liabilities, deferred inflows of reserouces and net position</b>	<b>\$ 107,482,739</b>	<b>\$ 2,654,223</b>	<b>\$ 136,310</b>	<b>\$ 19,080,636</b>	<b>\$ -</b>	<b>\$ 455,318</b>	<b>\$ 12,000</b>	<b>\$ (14,175,301)</b>	<b>\$ 115,645,925</b>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Combining Schedule – Statement of Net Position Information  
June 30, 2021

	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
<b>Assets</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 3,638,028	\$ 1,827,454	\$ 17,505	\$ 1,453,137	\$ 478	\$ 368,703	\$ 12,000	\$ -	\$ 7,317,305
Board designated cash	1,107,913	-	-	-	-	-	-	-	1,107,913
Internally designated investment for CMS Advance Program	11,502,885	-	-	-	-	-	-	-	11,502,885
Receivables									-
Patient, net	22,194,400	-	-	-	-	-	-	-	22,194,400
Other	8,027,706	84,268	-	168,724	-	119,909	-	(977,781)	7,422,826
Current portion of lease receivable	-	-	-	5,381	-	-	-	(5,381)	-
Related parties	482,408	126,749	32,683	-	-	-	-	(312,156)	329,684
Estimated third-party payor settlements	1,027,479	-	-	-	-	-	-	-	1,027,479
Supplies	3,304,991	-	17,233	-	-	-	-	-	3,322,224
Prepaid expenses	979,994	63,766	3,973	10,118	-	1,528	-	-	1,059,379
<b>Total current assets</b>	<b>52,265,804</b>	<b>2,102,237</b>	<b>71,394</b>	<b>1,637,360</b>	<b>478</b>	<b>490,140</b>	<b>12,000</b>	<b>(1,295,318)</b>	<b>55,284,095</b>
<b>Capital Assets, Net</b>	<b>28,226,473</b>	<b>621,109</b>	<b>33,501</b>	<b>16,820,891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,701,974</b>
<b>Other Assets</b>									
Investment in NOD	997,885	-	-	-	-	-	-	(997,885)	-
Interest in Foundation	10,115,931	-	-	-	-	-	-	(10,115,931)	-
Investment in NOMSO	451,542	-	-	-	-	-	-	(451,542)	-
Investment in CHP	1,664,517	-	-	-	-	-	-	-	1,664,517
Investment in NOCC	-	-	-	-	-	-	-	-	-
Investment in Platte Dialysis	4,977,729	-	-	-	-	-	-	-	4,977,729
Investment in NWM	(248,094)	-	-	-	-	-	-	248,094	-
<b>Total investments</b>	<b>17,959,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,317,264)</b>	<b>6,642,246</b>
Assets held under deferred compensation agreement	747,296	-	-	-	-	-	-	-	747,296
Internally designated investment for CMS Advance Program	3,466,894	-	-	-	-	-	-	-	3,466,894
Investments	14,844,872	-	-	-	-	-	-	-	14,844,872
Investment in captive insurance	1,220,030	-	-	-	-	-	-	-	1,220,030
Lease receivable, net of current portion	-	-	-	58,791	-	-	-	(58,791)	-
Other	1,335,690	-	-	-	-	-	-	-	1,335,690
<b>Total other assets</b>	<b>39,574,292</b>	<b>-</b>	<b>-</b>	<b>58,791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,376,055)</b>	<b>28,257,028</b>
<b>Deferred Outflows of Resources</b>	<b>950,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>950,110</b>
<b>Total assets</b>	<b>\$ 121,016,679</b>	<b>\$ 2,723,346</b>	<b>\$ 104,895</b>	<b>\$ 18,517,042</b>	<b>\$ 478</b>	<b>\$ 490,140</b>	<b>\$ 12,000</b>	<b>\$ (12,671,373)</b>	<b>\$ 130,193,207</b>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Combining Schedule – Statement of Net Position Information  
June 30, 2021

	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
<b>Liabilities and Net Position</b>									
Current Liabilities									
Current maturities of long-term debt	\$ 1,057,577	\$ 117,723	\$ 5,026	\$ 390,937	\$ -	\$ -	\$ -	\$ (5,381)	\$ 1,565,882
Current maturities of CMS advance payments	11,502,885	-	-	-	-	-	-	-	11,502,885
Current maturities of software agreement	300,354	-	-	-	-	-	-	-	300,354
Accounts payable	11,086,334	180,945	909,257	-	-	38,601	-	(1,234,819)	10,980,318
Accrued expenses									
Salaries and benefits payable	1,669,488	-	-	-	-	-	-	-	1,669,488
Vacation	2,827,391	-	-	-	-	-	-	-	2,827,391
Payroll taxes and other	2,318,933	-	-	-	-	-	-	-	2,318,933
Due to related parties	312	-	-	18,173	-	-	55,118	(55,118)	18,485
Total current liabilities	30,763,274	298,668	914,283	409,110	-	38,601	55,118	(1,295,318)	31,183,736
Long-Term Liabilities									
Long-term debt, less current maturities	14,406,357	131,237	-	8,016,290	-	-	-	(58,791)	22,495,093
CMS advance payments, less current maturities	6,631,964	-	-	-	-	-	-	-	6,631,964
Software agreement	1,427,538	-	-	-	-	-	-	-	1,427,538
Deferred compensation	747,296	-	-	-	-	-	-	-	747,296
Other liabilities	950,110	-	-	-	-	-	-	-	950,110
Total long-term liabilities	24,163,265	131,237	-	8,016,290	-	-	-	(58,791)	32,252,001
Total liabilities	54,926,539	429,905	914,283	8,425,400	-	38,601	55,118	(1,354,109)	63,435,737
Net Position									
Net investment in capital assets	12,762,539	372,149	28,475	8,413,664	-	-	-	64,172	21,640,999
Unrestricted	53,327,601	1,074,865	(514,108)	1,677,978	478	451,539	(43,118)	(11,381,436)	44,593,799
Restricted, nonexpendable net position noncontrolling interest	-	846,427	(323,755)	-	-	-	-	-	522,672
Total net position	66,090,140	2,293,441	(809,388)	10,091,642	478	451,539	(43,118)	(11,317,264)	66,757,470
Total liabilities and net position	\$ 121,016,679	\$ 2,723,346	\$ 104,895	\$ 18,517,042	\$ 478	\$ 490,140	\$ 12,000	\$ (12,671,373)	\$ 130,193,207

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, 2022

	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	\$ 129,295,010	\$ 1,491,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,491,787)	\$ 129,295,010
Other revenue	<u>5,287,074</u>	<u>273,524</u>	<u>365,976</u>	<u>2,455,879</u>	<u>-</u>	<u>600,860</u>	<u>-</u>	<u>(1,446,558)</u>	<u>7,536,755</u>
Total operating revenue	<u>134,582,084</u>	<u>1,765,311</u>	<u>365,976</u>	<u>2,455,879</u>	<u>-</u>	<u>600,860</u>	<u>-</u>	<u>(2,938,345)</u>	<u>136,831,765</u>
Expenses									
Nursing services	41,654,012	-	-	-	-	-	-	(1,491,309)	40,162,703
Other professional services	63,111,335	34,314	-	6,370	-	-	-	(1,146,937)	62,005,082
General services	7,236,759	-	590,672	-	-	629,303	-	544,497	9,001,231
Administrative services	22,439,436	115,567	-	137,931	-	-	-	-	22,692,934
Other expenses	-	549,309	-	344,367	-	-	-	(184,120)	709,556
Depreciation and amortization	<u>4,086,341</u>	<u>410,660</u>	<u>5,520</u>	<u>539,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,041,807</u>
Total expenses	<u>138,527,883</u>	<u>1,109,850</u>	<u>596,192</u>	<u>1,027,954</u>	<u>-</u>	<u>629,303</u>	<u>-</u>	<u>(2,277,869)</u>	<u>139,613,313</u>
Operating Income (Loss)	<u>(3,945,799)</u>	<u>655,461</u>	<u>(230,216)</u>	<u>1,427,925</u>	<u>-</u>	<u>(28,443)</u>	<u>-</u>	<u>(660,476)</u>	<u>(2,781,548)</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, 2022

	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 (loss)	\$ (1,854,043)	\$ 95,665	\$ -	\$ 14,074	\$ -	\$ -	\$ -	\$ -	\$ (1,744,304)
Provider relief funds	4,742,631	-	-	-	-	-	-	-	4,742,631
Income from NOD	522,318	-	-	-	-	-	-	(522,318)	-
Income from Foundation	1,109,739	-	-	-	-	-	-	(1,109,739)	-
Income from NOMSO	(28,444)	-	-	-	-	-	-	28,444	-
Income from CHP	607,631	-	-	-	-	-	-	-	607,631
Income from Platte	2,128,695	-	-	-	-	-	-	-	2,128,695
Income from NWM	(138,130)	-	-	-	-	-	-	138,130	-
Interest expense	(678,970)	(4,959)	-	(332,259)	-	-	-	-	(1,016,188)
Gain on disposal	394,671	-	-	-	-	-	-	-	394,671
Contributions expense	(708,200)	-	-	-	-	-	-	660,000	(48,200)
Total non operating revenue (expense), net	<u>6,097,898</u>	<u>90,706</u>	<u>-</u>	<u>(318,185)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(805,483)</u>	<u>5,064,936</u>
Revenues in Excess of (Less Than) Expenses	2,152,099	746,167	(230,216)	1,109,740	-	(28,443)	-	(1,465,959)	2,283,388
Noncontrolling Interest	<u>-</u>	<u>(65,455)</u>	<u>92,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,631</u>
Change in Net Position, Excluding Noncontrolling Interest	2,152,099	680,712	(138,130)	1,109,740	-	(28,443)	-	(1,465,959)	2,310,019
Net Position, Beginning of Year	66,090,140	1,626,094	(485,633)	10,091,642	478	451,539	(43,118)	(11,496,344)	66,234,798
Members' Distributions	-	(596,934)	-	-	(478)	-	-	597,412	-
Noncontrolling Interest	<u>-</u>	<u>732,802</u>	<u>(415,841)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,961</u>
Net Position, End of Year	<u>\$ 68,242,239</u>	<u>\$ 2,442,674</u>	<u>\$ (1,039,604)</u>	<u>\$ 11,201,382</u>	<u>\$ -</u>	<u>\$ 423,096</u>	<u>\$ (43,118)</u>	<u>\$ (12,364,891)</u>	<u>\$ 68,861,778</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, 2021

	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	\$ 113,091,596	\$ 1,491,517	\$ -	\$ -	\$ 10,977	\$ -	\$ -	\$ (1,491,517)	\$ 113,102,573
Other revenue	<u>5,269,195</u>	<u>288,178</u>	<u>388,397</u>	<u>1,700,904</u>	<u>-</u>	<u>682,874</u>	<u>-</u>	<u>(1,035,063)</u>	<u>7,294,485</u>
Total operating revenue	<u>118,360,791</u>	<u>1,779,695</u>	<u>388,397</u>	<u>1,700,904</u>	<u>10,977</u>	<u>682,874</u>	<u>-</u>	<u>(2,526,580)</u>	<u>120,397,058</u>
Expenses									
Nursing services	37,322,118	-	-	-	-	-	-	(1,491,517)	35,830,601
Other professional services	57,303,119	34,314	-	6,377	-	-	-	(1,146,937)	56,196,873
General services	6,766,766	-	568,224	-	(574)	507,248	-	532,494	8,374,158
Administrative services	19,064,136	109,089	-	117,549	47	-	-	-	19,290,821
Other expenses	-	578,639	-	170,955	-	-	(87)	(155,515)	593,992
Depreciation and amortization	<u>3,613,336</u>	<u>442,796</u>	<u>5,756</u>	<u>553,711</u>	<u>11,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,626,847</u>
Total expenses	<u>124,069,475</u>	<u>1,164,838</u>	<u>573,980</u>	<u>848,592</u>	<u>10,721</u>	<u>507,248</u>	<u>(87)</u>	<u>(2,261,475)</u>	<u>124,913,292</u>
Operating Income (Loss)	<u>(5,708,684)</u>	<u>614,857</u>	<u>(185,583)</u>	<u>852,312</u>	<u>256</u>	<u>175,626</u>	<u>87</u>	<u>(265,105)</u>	<u>(4,516,234)</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, 2021

	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	\$ 1,411,146	\$ 97,717	\$ -	\$ 5,243	\$ 222	\$ -	\$ -	\$ -	\$ 1,514,328
Provider relief funds	350,961	-	-	-	-	-	-	-	350,961
Income from NOD	492,807	-	-	-	-	-	-	(492,807)	-
Income from Foundation	503,443	-	-	-	-	-	-	(503,443)	-
Income from NOMSO	175,628	-	-	-	-	-	-	(175,628)	-
Income from CHP	618,659	-	-	-	-	-	-	-	618,659
Income from NWM	(111,349)	-	-	-	-	-	-	-	(111,349)
Income from Platte	1,317,733	-	-	-	-	-	-	111,349	1,429,082
Interest expense	(799,587)	(8,562)	-	(354,111)	-	-	-	-	(1,162,260)
Loss on disposal	5,691	-	-	-	-	-	-	-	5,691
Contributions expense	(279,505)	-	-	-	-	-	-	265,105	(14,400)
Total non operating revenue (expense), net	<u>3,685,627</u>	<u>89,155</u>	<u>-</u>	<u>(348,868)</u>	<u>222</u>	<u>-</u>	<u>-</u>	<u>(795,424)</u>	<u>2,630,712</u>
Revenues in Excess of (Less Than) Expenses	(2,023,057)	704,012	(185,583)	503,444	478	175,626	87	(1,060,529)	(1,885,522)
Noncontrolling Interest	<u>-</u>	<u>(211,204)</u>	<u>74,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(136,971)</u>
Change in Net Position, Excluding Noncontrolling Interest	(2,023,057)	492,808	(111,350)	503,444	478	175,626	87	(1,060,529)	(2,022,493)
Net Position, Beginning of Year	68,587,687	1,517,414	(374,283)	9,588,198	1,132,257	275,913	(43,205)	(12,426,690)	68,257,291
Transfer of shares	(474,490)	-	-	-	(1,132,257)	-	-	1,606,747	-
Members' Distributions	-	(563,208)	-	-	-	-	-	563,208	-
Noncontrolling Interest	<u>-</u>	<u>846,427</u>	<u>(323,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,672</u>
Net Position, End of Year	<u>\$ 66,090,140</u>	<u>\$ 2,293,441</u>	<u>\$ (809,388)</u>	<u>\$ 10,091,642</u>	<u>\$ 478</u>	<u>\$ 451,539</u>	<u>\$ (43,118)</u>	<u>\$ (11,317,264)</u>	<u>\$ 66,757,470</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Schedules of Hospital Net Patient Service Revenue  
Years Ended June 30, 2022

	Inpatient	Outpatient	Total
Patient Service Revenue			
Daily patient services			
Medical and surgical	\$ 20,405,086	\$ 4,067,639	\$ 24,472,725
Intensive care unit	20,196,863	2,297,041	22,493,904
Nursery	697,138	7,937	705,075
	<u>41,299,087</u>	<u>6,372,617</u>	<u>47,671,704</u>
Other nursing services			
Emergency room	4,559,837	22,227,299	26,787,136
Wound Care	-	402,148	402,148
Observation	5,093	4,705	9,798
Operating room	24,718,097	40,948,605	65,666,702
	<u>29,283,027</u>	<u>63,582,757</u>	<u>92,865,784</u>
Other professional services			
Ambulance	364	5,388,440	5,388,804
Anesthesiology	3,346,766	5,914,730	9,261,496
Brain institute	-	113	113
Cardiac cath lab	9,897,489	18,614,119	28,511,608
Complex lab	930	1,854,682	1,855,612
Electrocardiography	986,101	643,561	1,629,662
Geriatric psychology	2,868,498	-	2,868,498
Hyperbaric	-	600,668	600,668
Laboratory	10,724,005	19,543,571	30,267,576
Nephrology	788,801	57,398	846,199
Occupational therapy	225,317	220,015	445,332
Obstetrics	2,159,738	167,464	2,327,202
Oncology	26,316	23,344,581	23,370,897
Pharmacy	14,294,308	4,577,561	18,871,869
Physical therapy	488,072	573,021	1,061,093
Physician	6,562,634	16,202,547	22,765,181
Radiology	10,139,303	40,492,389	50,631,692
Rehabilitation	326	319,916	320,242
Respiratory therapy	12,270,157	1,596,873	13,867,030
Sleep Study	-	6,428,178	6,428,178
Speech therapy	141,616	158,509	300,125
	<u>74,920,741</u>	<u>146,698,336</u>	<u>221,619,077</u>
	<u>\$ 145,502,855</u>	<u>\$ 216,653,710</u>	362,156,565
Charity care			<u>(3,758,984)</u>
Total patient service revenue			<u>358,397,581</u>
Deductions from Revenue			
Contractual Adjustments			(208,429,559)
Provision for Bad Debts			<u>(20,673,012)</u>
Total reductions from revenue			<u>(229,102,571)</u>
Net Patient Service Revenue			<u>\$ 129,295,010</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Schedules of Hospital Net Patient Service Revenue  
Years Ended June 30, 2021

	Inpatient	Outpatient	Total
Patient Service Revenue			
Daily patient services			
Medical and surgical	\$ 21,939,293	\$ 4,430,270	\$ 26,369,563
Intensive care unit	21,032,364	1,231,491	22,263,855
Nursery	576,580	10,623	587,203
	<u>43,548,237</u>	<u>5,672,384</u>	<u>49,220,621</u>
Other nursing services			
Emergency room	5,457,809	19,906,194	25,364,003
Wound Care	83	409,230	409,313
Observation	1,105,664	31,554	1,137,218
Operating room	22,470,335	32,263,977	54,734,312
	<u>29,033,891</u>	<u>52,610,955</u>	<u>81,644,846</u>
Other professional services			
Ambulance	13,895	4,544,366	4,558,261
Anesthesiology	3,430,846	5,603,461	9,034,307
Brain institute	-	47,475	47,475
Cardiac cath lab	12,578,088	11,032,090	23,610,178
Complex lab	6,374	1,942,263	1,948,637
Electrocardiography	777,162	448,390	1,225,552
Geriatric psychology	2,951,921	-	2,951,921
Hyperbaric	-	362,588	362,588
Laboratory	11,208,561	15,360,315	26,568,876
Nephrology	914,272	50,185	964,457
Occupational therapy	241,653	160,149	401,802
Obstetrics	2,151,819	231,955	2,383,774
Oncology	91,707	18,324,151	18,415,858
Pharmacy	13,096,043	4,124,731	17,220,774
Physical therapy	495,828	531,412	1,027,240
Physician	5,756,394	14,645,245	20,401,639
Radiology	9,662,803	30,935,503	40,598,306
Rehabilitation	2,686	473,762	476,448
Respiratory therapy	14,654,480	1,566,188	16,220,668
Sleep Study	-	7,516,390	7,516,390
Speech therapy	161,983	124,197	286,180
	<u>78,196,515</u>	<u>118,024,816</u>	<u>196,221,331</u>
	<u>\$ 150,778,643</u>	<u>\$ 176,308,155</u>	327,086,798
Charity care			<u>(3,530,966)</u>
Total patient service revenue			<u>323,555,832</u>
Deductions from Revenue			
Contractual Adjustments			(189,924,992)
Provision for Bad Debts			<u>(20,539,244)</u>
Total reductions from revenue			<u>(210,464,236)</u>
Net Patient Service Revenue			<u>\$ 113,091,596</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Schedules of Hospital Other Revenue  
Years Ended June 30, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
Other Revenue		
Rental income	\$ 663,907	\$ 621,370
Service contract billing	1,100,655	1,234,895
Cafeteria	213,753	185,709
Kiosk (The Coffee House)	595,232	536,548
340B program revenue	696,114	1,756,598
Miscellaneous	<u>2,017,413</u>	<u>934,075</u>
Total Other Revenue	<u>\$ 5,287,074</u>	<u>\$ 5,269,195</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Schedules of Hospital Expenses  
Years Ended June 30, 2022

	Salaries	Supplies and Expenses	Total
Nursing Services			
Central service supplies	\$ 355,241	\$ 108,305	\$ 463,546
Emergency room	1,655,232	4,062,537	5,717,769
Wound care	-	142,833	142,833
Intensive care unit	4,350,844	1,627,396	5,978,240
Labor and delivery	1,095,646	244,344	1,339,990
Medical and surgical	5,821,213	1,674,051	7,495,264
Nursing administration	1,051,941	39,770	1,091,711
Observation	31,301	7,945	39,246
Operating room	4,013,589	15,371,824	19,385,413
	<u>18,375,007</u>	<u>23,279,005</u>	<u>41,654,012</u>
Other Professional Services			
Ambulance	1,488,213	255,466	1,743,679
Anesthesiology	-	2,571,610	2,571,610
Bio Med	195,573	13,202	208,775
Brain institute	-	1,406,420	1,406,420
Cardiology	98,585	1,369,825	1,468,410
Cath lab	-	11,957,548	11,957,548
Complex lab	142,630	261,144	403,774
Electrocardiography	123,687	102,459	226,146
Geriatric psychology	1,303,784	194,044	1,497,828
Health education	131,745	99,334	231,079
Hyperbarics	-	222,097	222,097
Laboratory	1,538,181	4,428,089	5,966,270
Nephrology	-	673,675	673,675
Occupational therapy	213,953	44,393	258,346
Oncology	433,091	7,011,102	7,444,193
Pharmacy	1,460,293	4,347,164	5,807,457
Physical therapy	520,678	48,477	569,155
Physician	6,258,503	5,773,640	12,032,143
Radiology	2,816,845	2,462,833	5,279,678
Rehabilitation inpatient	-	38,101	38,101
Respiratory therapy	810,403	590,902	1,401,305
Sallisaw	80,531	9	80,540
Social services	333,459	27,530	360,989
Speech therapy	131,945	43,620	175,565
Sleep Study	-	1,086,552	1,086,552
	<u>18,082,099</u>	<u>45,029,236</u>	<u>63,111,335</u>
General Services			
Dietary	755,660	749,203	1,504,863
Housekeeping	732,197	147,267	879,464
Laundry and linen	-	366,912	366,912
Medical records	1,670,937	664,316	2,335,253
Plant operations	653,840	1,496,427	2,150,267
	<u>3,812,634</u>	<u>3,424,125</u>	<u>7,236,759</u>
Administrative Services			
Administration and office	8,082,396	7,388,624	15,471,020
Employee benefits	-	6,968,416	6,968,416
	<u>8,082,396</u>	<u>14,357,040</u>	<u>22,439,436</u>
Depreciation	-	4,086,341	4,086,341
	<u>\$ 48,352,136</u>	<u>\$ 90,175,747</u>	<u>\$ 138,527,883</u>

Tahlequah Hospital Authority  
A Component Unit of the City of Tahlequah, Oklahoma  
Schedules of Hospital Expenses  
Years Ended June 30, 2021

	Salaries	Supplies and Expenses	Total
Nursing Services			
Central service supplies	\$ 11,918	\$ -	\$ 11,918
Emergency room	1,703,722	3,067,699	4,771,421
Wound care	-	181,690	181,690
Intensive care unit	4,096,615	1,171,980	5,268,595
Labor and delivery	802,713	358,026	1,160,739
Medical and surgical	4,716,722	1,784,128	6,500,850
Nursing administration	946,177	30,621	976,798
Observation	399,813	127,770	527,583
Operating room	3,393,011	14,529,513	17,922,524
	<u>16,070,691</u>	<u>21,251,427</u>	<u>37,322,118</u>
Other Professional Services			
Ambulance	1,327,262	175,139	1,502,401
Anesthesiology	-	2,148,747	2,148,747
Bio Med	197,193	9,304	206,497
Brain institute	21,685	1,978,976	2,000,661
Cardiology	103,910	1,794,267	1,898,177
Cath lab	-	9,842,893	9,842,893
Complex lab	125,810	243,312	369,122
Electrocardiography	77,095	109,872	186,967
Geriatric psychology	1,180,587	277,942	1,458,529
Health education	131,433	105,061	236,494
Hyperbarics	-	205,918	205,918
Laboratory	1,342,984	4,748,991	6,091,975
Nephrology	-	741,555	741,555
Occupational therapy	203,452	44,446	247,898
Oncology	376,212	6,141,642	6,517,854
Pharmacy	1,420,220	3,429,481	4,849,701
Physical therapy	477,792	57,988	535,780
Physician	5,295,638	4,835,477	10,131,115
Radiology	2,537,464	2,517,482	5,054,946
Rehabilitation inpatient	-	38,538	38,538
Respiratory therapy	853,824	347,404	1,201,228
Sallisaw	9,471	2,971	12,442
Social services	447,935	33,036	480,971
Speech therapy	124,416	46,644	171,060
Sleep Study	-	1,171,650	1,171,650
	<u>16,254,383</u>	<u>41,048,736</u>	<u>57,303,119</u>
General Services			
Dietary	757,636	629,086	1,386,722
Housekeeping	636,130	156,572	792,702
Laundry and linen	-	341,233	341,233
Medical records	1,201,189	1,121,307	2,322,496
Plant operations	595,729	1,327,884	1,923,613
	<u>3,190,684</u>	<u>3,576,082</u>	<u>6,766,766</u>
Administrative Services			
Administration and office	7,168,686	7,198,599	14,367,285
Employee benefits	-	4,696,851	4,696,851
	<u>7,168,686</u>	<u>11,895,450</u>	<u>19,064,136</u>
Depreciation	-	3,613,336	3,613,336
	<u>\$ 42,684,444</u>	<u>\$ 81,385,031</u>	<u>\$ 124,069,475</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  
dba Northeastern Health System  
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 dba Northeastern Health System (Authority), a Component Unit of the City of Tahlequah, Oklahoma, which comprise the Authority's statement of net position as of June 30, 2022 and related statements of revenues and expenses, changes in net position and cash flows for the year then ended June 30, 2022, 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 4, 2022.

**Report on 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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## **Report on 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.

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

Oklahoma City, Oklahoma  
November 4, 2022