Henryetta Hospital Authority
Henryetta, Oklahoma

Financial Statements

June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Henryetta Hospital Authority
Henryetta, Oklahoma

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Henryetta Hospital Authority (the "Authority"), a component unit of the City of Henryetta, Oklahoma, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 Auditors' 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.

Emphasis of Matters

Authority-Only Financial Statements

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City of Henryetta, Oklahoma, that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the City of Henryetta, Oklahoma, as of June 30, 2022 or 2021, or the changes in its financial position or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

(Continued)

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Emphasis of Matters, Continued

Adoption of New Accounting Pronouncement

As discussed in Notes 1, 2, and 6 to the financial statements, in 2022 the Authority adopted new accounting guidance, Statement No. 87 of the Governmental Accounting Standards Board, *Leases* (GASB 87). The implementation of GASB 87 resulted in a restatement of the financial statements as of and for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

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, 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.

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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

In performing an audit in accordance with generally accepted auditing standards 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 require that the management's discussion and analysis on pages I-1 through I-2 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, 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, 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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 23, 2023

HENRYETTA HOSPITAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

This discussion and analysis of the Henryetta Hospital Authority (the "Authority") financial statements provides an overview of the Authority's financial activities for the year ended June 30, 2022.

Financial Highlights

The Authority's financial position as a whole increased during the fiscal year ended June 30, 2022. Cash and investments increased $221,518, or 68.9%, from the previous year. Total assets decreased $150,716, or 1.79%, from the previous year; however, the decrease was primarily related to an increase in accumulated depreciation. Net position increased $19,900, or 0.26%, from the previous year.

Overview of the Financial Statements

The enclosed statements are presented on an enterprise fund basis and include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Financial Analysis

Net position is one way to measure the Authority's financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial position is improving or declining.

As of June 30, 2022, total assets were $8,251,008, with no liabilities. For the year ended June 30, 2022, operating revenues of $263,444 were less than operating expenses of $335,037, resulting in operating losses of $(71,593). The operating losses were primarily the result of depreciation expense of $261,930.

Operating Revenues

Operating revenues increased $7,150 during the fiscal year ended June 30, 2022. The increase was the result of increased rental income.

Operating Expenses

Operating expenses increased $22,671 during the fiscal year ended June 30, 2022. The increase was primarily the result of increases in repairs and maintenance as well as supplies, utilities, and purchased services.

Financial Analysis, Continued

Non-Operating Revenues/Expenses

Significant changes in non-operating revenues/expenses were the result of the following:

- The long-term receivable income increased $25,966 for the year ended June 30, 2022.
- Interest income on investments increased $262 for the year ended June 30, 2022.
- Interest income received from long-term leases decreased $(4,534) for the year ended June 30, 2022.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity over a period of time. This statement also aids in the assessment of an entity's ability to generate future net cash flows, its ability to meet obligations as they come due, and needs for external financing.

Capital Assets

At June 30, 2022, the Authority had $17,959,959 invested in capital assets. The related accumulated depreciation was $12,096,831. Depreciation charges for the year totaled $261,930, compared to $260,703 in the previous year.

For additional information related to capital assets, please see Note 5 to the financial statements.

Debt

At June 30, 2022, the Authority had no outstanding debt.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's administration by calling (918) 650-1301.

HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

STATEMENTS OF NET POSITION

June 30,		*2022*	*2021*
Assets			
Current assets:			
Cash	$	442,698	321,386
Investments—certificates of deposit		100,206	-
Long-term lease receivable—current (restated)		125,279	161,041
Total current assets		668,183	482,427
Noncurrent assets:			
Capital assets:			
Property, buildings, and equipment		17,959,959	17,959,959
Less accumulated depreciation		(12,096,831)	(11,825,326)
Capital assets, net		5,863,128	6,134,633
Long-term receivable		1,220,321	1,160,009
Long-term lease receivable (restated)		499,376	624,655
Total noncurrent assets (restated)		7,582,825	7,919,297
Total assets (restated)	$	8,251,008	8,401,724
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities:			
Accounts payable	$	-	9,575
Deferred inflows of resources:			
Deferred amounts related to lease receivables (restated)		624,655	785,696
Net position:			
Net investment in capital assets		5,863,128	6,134,633
Unrestricted		1,763,225	1,471,820
Total net position		7,626,353	7,606,453
Total liabilities, deferred inflows of resources, and net position (restated)	$	8,251,008	8,401,724

See Independent Auditors' Report.
See accompanying notes to financial statements.

HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30,	*2022*	*2021*
Operating revenues:		
Rental income (restated)	$ 263,444	256,294
Total operating revenues (restated)	263,444	256,294
Operating expenses:		
Supplies, utilities, and purchased services	41,988	31,975
Insurance	7,803	7,852
Depreciation	261,930	260,703
Repairs and maintenance	12,669	640
Legal and professional	10,647	11,196
Total operating expenses	335,037	312,366
Net loss from operations (restated)	(71,593)	(56,072)
Non-operating revenues:		
Interest income—certificates of deposit	373	111
Interest income—lease receivables (restated)	30,808	35,342
Increase in long-term receivable	60,312	34,346
Total non-operating revenues (restated)	91,493	69,799
Changes in net position	19,900	13,727
Net position, beginning of year	7,606,453	7,592,726
Net position, end of year	$ 7,626,353	7,606,453

See Independent Auditors' Report.
See accompanying notes to financial statements.

HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,	*2022*	*2021*
Cash flows from operating activities:		
Revenues (restated)	$ 263,444	256,294
Payments to vendors	(82,682)	(42,088)
Net cash provided by operating activities (restated)	180,762	214,206
Cash flows from investing activities:		
Purchase of certificates of deposit	(100,206)	-
Interest income—certificates of deposit	373	111
Interest income—lease receivables (restated)	30,808	35,342
Net cash (used in) provided by investing activities (restated)	(69,025)	35,453
Cash flows from noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Change in capital assets, net	9,575	(71,717)
Net cash provided by (used in) capital and related financing activities	9,575	(71,717)
Net increase in cash and cash equivalents	121,312	177,942
Cash and cash equivalents, beginning of year	321,386	143,444
Cash and cash equivalents, end of year	$ 442,698	321,386
Reconciliation of net loss from operations to net cash provided by operating activities:		
Net loss from operations (restated)	$ (71,593)	(56,072)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	261,930	260,703
Accounts payable	(9,575)	9,575
Net cash provided by operating activities (restated)	$ 180,762	214,206

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ownership

The Henryetta Medical Center (the "Hospital") is owned by the Henryetta Hospital Authority (the "Authority"), which was established on April 18, 1977, pursuant to Title 60, Oklahoma Statutes 1971, Section 176 to 180.4 inclusive, as amended. The Authority is a component unit of the City of Henryetta, Oklahoma. The City of Henryetta, Oklahoma, is the beneficiary of the Authority.

On November 1, 2004, the Board of Trustees of the Authority entered into an agreement with AHS Henryetta Hospital, LLC; Hillcrest Healthcare Systems; and Ardent Health Services, Inc. Under the terms of this agreement the Authority and Hillcrest Healthcare Systems agreed to terminate their "Master Agreement" dated September 15, 1997. Further, certain assets purchased by the Hospital were transferred to the Authority in return for a reduction in the amount due from Hillcrest Healthcare Systems. On November 1, 2004, an "Amended and Restated Operating Agreement" was entered into by the Authority with AHS Henryetta Hospital, LLC and Ardent Health Services, Inc. (collectively "Ardent"). The November 1, 2004, "Amended and Restated Operating Agreement" between the Authority and Ardent was amended on September 30, 2007. The "Second Amended and Restated Operating Agreement" (the "Agreement") commenced on October 1, 2007, and was to expire September 30, 2014. On June 23, 2014, Ardent exercised a 5-year renewal of the Agreement. The Agreement was extended until September 30, 2019. On April 16, 2018, the Agreement was again amended with AHS Legacy Operations, LLC ("AHS"), as successor to the Ardent Health Systems. The Agreement was extended from September 30, 2019, to September 30, 2022. In May 2022, AHS exercised its option to renew and extend the lease through September 30, 2027. The Agreement allows AHS to operate the Hospital and to use the Hospital's name in its operations. Under the terms of the Agreement, equipment and operating assets of the Authority were assumed and transferred to AHS during the duration of the Agreement.

The financial statements include only the activities of the Authority and are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Henryetta, Oklahoma, that is attributable to the transactions of the Authority.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States for units of local government as promulgated by the Governmental Accounting Standards Board (GASB).

The Authority prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned and expenses are recognized when goods or services are received, whether paid or not.

Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States. GASB is responsible for establishing the accounting principles generally accepted in the United States for state and local governments through its pronouncements (Statements and Interpretations).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The statements of net position and the statements of revenues, expenses, and changes in net position are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority adopted GASB 87 effective July 1, 2021, which resulted in a restatement of the 2021 financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The Authority adopted GASB 89 on July 1, 2021, which did not have a significant impact on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers; 2) arrangements associated with conduit debt obligation; and 3) related note disclosures. The Authority will adopt GASB 91 effective July 1, 2022, for the June 30, 2023, reporting year. The Authority does not expect GASB 91 to have a significant impact on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 addresses a variety of topics and includes specific provisions relating to 1) interim financial reporting requirements of GASB 87 and Implementation Guide 2019-3; 2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; 3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of GASB 84 to postemployment benefit arrangements; 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and 8) terminology used to refer to derivative instruments. The requirements of GASB 92 are effective upon issuance in relation to the provisions impacting GASB 87 and Implementation Guide 2019-3 and are effective for periods beginning after June 15, 2021, for all other provisions. The Authority adopted GASB 92 effective July 1, 2021, which did not have a significant effect on the financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates Activities* (GASB 93). GASB 93 addresses various accounting and other issues arising from the result of the replacement of an interbank offered rate (IBOR) by 1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; 2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; 3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; 4) removing the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; 5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; and 6) clarifying the definition of *reference rate*, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021, and the remaining requirements of GASB 93 are effective for periods beginning after June 15, 2021, for all other provisions. The Authority adopted GASB 93 effective July 1, 2021, which did not have a significant effect on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 improves accounting and financial reporting by addressing various issues relating to public-private and public-public partnership arrangements (PPPs). This includes the requirement that PPPs that meet the definition of a lease apply the guidance in GASB 87 and establishes the accounting and financial reporting requirements for all other PPPs. The requirements of GASB 94 are effective for periods beginning after June 15, 2022. The Authority will adopt GASB 94 effective July 1, 2022, for the June 30, 2023, reporting year. The Authority does not expect GASB 94 to have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. GASB 96 1) defines a SBITA; 2) establishes that SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA; and 4) requires note disclosures regarding SBITA. The requirements of GASB 96 are effective for periods beginning after June 15, 2022. The Authority will adopt GASB 96 effective July 1, 2022, for the June 30, 2023, reporting year. The Authority does not expect GASB 96 to have a significant impact on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB 97). The primary objectives of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that 1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and 2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective at the date of issuance of GASB 97. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of GASB 97 that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Authority adopted GASB 97 effective July 1, 2021, which did not have a significant effect on the financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR.* The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021, with earlier application encouraged. The Authority adopted GASB 98 effective July 1, 2021, which did not have a significant effect on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
- Terminology used in Statement 53 to refer to resource flows statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

The requirements of GASB 99 are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The Authority adopted these requirements effective July 1, 2021, which did not have a significant impact on the financial statements.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Authority will adopt these requirements effective July 1, 2022, for the June 30, 2023, reporting year. The Authority does not expect these requirements to have a significant impact on the financial statements.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Authority will adopt these requirements effective July 1, 2023, for the June 30, 2024, reporting year. The Authority does not expect these requirements to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* (GASB 100). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. Earlier application is encouraged. The adoption of GASB 100 is not expected to have a significant effect on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 enhances information for users of the financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged. The adoption of GASB 101 is not expected to have a significant effect on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

The Authority is authorized to invest in eligible investments as approved by the Board of Trustees.

Accounting principles generally accepted in the United States establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

- Level 1 unadjusted quoted prices in active markets for identical assets.
- Level 2 quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
- Level 3 pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3.

The Authority had investments in certificates of deposit as of June 30, 2022. The investments are reported at cost, which approximates fair value, and are considered Level 2 in the fair value hierarchy. The Authority had no investments as of June 30, 2021.

Capital Assets

Capital assets which have an expected useful life of more than 1 year are recorded at cost when purchased. Depreciation expense is calculated on a straight-line basis over a 3- to 30-year period.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-Term Receivable

The long-term receivable represents assets which were transferred to AHS, as successor to Ardent, for its use in operating the Hospital. The Authority is entitled to receive working capital, as defined in the Agreement, equal to $1,014,611, adjusted for changes in the Consumer Price Index (CPI). The balance of the receivable was $1,220,321 and $1,160,009 as of June 30, 2022 and 2021, respectively. An allowance for doubtful accounts was not considered necessary as of June 30, 2022 or 2021.

Long-Term Leases Receivable and the Related Deferred Inflows of Resources

As discussed in Notes 2 and 6, the Authority adopted GASB 87 on July 1, 2021, which resulted in a restatement of the June 30, 2021, financial statements. The long-term lease receivable and the related deferred inflows of resources represent the accounting for the Authority's leased assets in accordance with GASB 87.

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 employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters except certain natural disasters.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through January 23, 2023, the date which the financial statements were available to be issued. See Note 9 for a discussion of subsequent events.

(2) RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

The 2021 financial statements were restated to effect the implementation of GASB 87. GASB 87 denotes that during implementation an entity should restate all prior years presented. As such, the financial statements as of and for the year ended June 30, 2021, were restated.

The effects of the restatement to the June 30, 2021, financial statements were as follows:

	Long-Term Lease Receivable— Current	Long-Term Lease Receivable— Noncurrent	Deferred Inflows of Resources Related to Leases
Previously reported as of June 30, 2021	$ -	-	-
Adjustments to record the implementation of GASB 87	161,041	624,655	785,696
Beginning net position, as restated	$ 161,041	624,655	785,696

	Interest Income— Leases	Long-Term Lease Revenue
Previously reported as of June 30, 2021	$ -	291,636
Adjustments to record the implementation of GASB 87	35,342	(35,342)
	$ 35,342	256,294

(3) CASH

The Authority’s cash is in an interest-bearing deposit account at a local financial institution and is insured by the FDIC. As of June 30, 2022 and 2021, the Authority had a concentration of credit risk of $47,248 and $72,150, respectively, for amounts in excess of FDIC-insured amounts.

See Independent Auditors’ Report.

(4) INVESTMENTS

The Authority's informal investment policy is to invest in certificates of deposit. All of the certificates of deposit are insured by the FDIC, collateralized with a letter of credit, or collateralized with securities held by the pledging bank's safekeeping agent, but not in the Authority's name.

As of June 30, 2022, the certificates of deposit earned an interest rate of 0.55% and had maturities of 12 months or less. The Authority had no investments in certificates of deposit as of June 30, 2021.

(5) CAPITAL ASSETS

The capital assets of the Authority consist of land, land improvements, buildings, equipment, and construction in progress. A summary of changes in capital assets is as follows:

	Balance at June 30, 2021	Additions	Disposals	Transfers	Balance at June 30, 2022
Land	$ 75,385	-	-	-	75,385
Land improvements	589,750	-	-	-	589,750
Buildings	12,086,036	-	-	-	12,086,036
Equipment	5,208,788	-	-	-	5,208,788
	17,959,959	-	-	-	17,959,959
Less accumulated depreciation	(11,825,326)	(261,930)	-	(9,575)	(12,096,831)
Capital assets, net	$ 6,134,633	(261,930)	-	(9,575)	5,863,128

See Independent Auditors' Report.

(5) CAPITAL ASSETS, CONTINUED

	Balance at June 30, 2020	Additions	Disposals	Transfers	Balance at June 30, 2021
Land	$ 75,385	-	-	-	75,385
Land improvements	589,750	-	-	-	589,750
Buildings	12,014,319	71,717	-	-	12,086,036
Equipment	5,208,788	-	-	-	5,208,788
	17,888,242	71,717	-	-	17,959,959
Less accumulated depreciation	(11,564,623)	(260,703)	-	-	(11,825,326)
Capital assets, net	$ 6,323,619	(188,986)	-	-	6,134,633

(6) LONG-TERM LEASES RECEIVABLE AND THE RELATED DEFERRED INFLOWS OF RESOURCES

The Authority owns a hospital and medical buildings that are leased to various entities for the purpose of providing medical care to residents of Henryetta, Oklahoma, and the surrounding areas. As discussed in Notes 1 and 2, during 2022 the Authority adopted GASB 87 to account for the long-term receivables associated with its leased assets.

The following is a summary of the primary leases that make up the long-term receivables and the related deferred inflows of resources:

> As previously discussed, the Authority has a lease agreement with AHS for the operation of a hospital building. The original lease was effective in September 2018 and expires in September 2022, with an option to renew through September 2027 (renewal option was exercised in May 2022). The lease agreement requires monthly payments of $10,417. The long-term lease receivable for the real estate as of June 30, 2022 and 2021, amounted to $582,593 and $682,120, respectively. The long-term lease receivable for the hospital is determined using a discount rate of 4.0%. Rental revenue for the years ended June 30, 2022 and 2021, amounted to $99,196 and $95,313, respectively. Interest income for the years ended June 30, 2022 and 2021, amounted to $25,804 and $29,687, respectively. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to $582,593 and $682,120 as of June 30, 2022 and 2021, respectively.

(Continued)

(6) LONG-TERM LEASES RECEIVABLE AND THE RELATED DEFERRED INFLOWS OF RESOURCES, CONTINUED

The Authority has a lease agreement with a third party to lease real estate with a helipad. The lease was effective in December 2015 and expires in December 2025. The lease agreement requires monthly payments of $738, increasing annually as defined in the agreement. The annual increases of rent are not significant to the financial statements. The long-term lease receivable for the helipad as of June 30, 2022 and 2021, amounted to $28,234 and $35,795, respectively. The long-term lease receivable for the helipad is determined using a discount rate of 4.0%. Rental revenue for the years ended June 30, 2022 and 2021, amounted to $7,536 and $7,241, respectively. Interest income for the years ended June 30, 2022 and 2021, amounted to $1,319 and $1,614, respectively. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to $28,234 and $35,795 as of June 30, 2022 and 2021, respectively.

The Authority has a lease agreement with AHS to lease an orthopedic building. The lease was effective in November 2019 and expires in September 2022. The lease agreement requires monthly payments of $4,640. The long-term lease receivable for the orthopedic building as of June 30, 2022 and 2021, amounted to $13,828 and $67,781, respectively. The long-term lease receivable for the orthopedic building is determined using a discount rate of 4.0%. Rental revenue for the years ended June 30, 2022 and 2021, amounted to $53,774 and $51,669, respectively. Interest income for the years ended June 30, 2022 and 2021, amounted to $1,908 and $4,014, respectively. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to $13,828 and $67,781 as of June 30, 2022 and 2021, respectively.

(7) LONG-TERM RECEIVABLE

As previously discussed in Note 1, the Authority transferred assets to AHS, as successor to Ardent, to be used in the operation of the Hospital. As a result of the transfer, the Authority has a contractual right to receive "Financial Working Capital," as defined, of $1,014,611 (adjusted by the CPI, as defined) at the expiration of the Agreement. The Authority has recorded the amount to be received and adjusted the amount by the CPI at June 30, 2022 and 2021, using the formula defined in the Agreement. The receivable balance and adjustments recorded are as follows:

	2022	2021
Long-term receivable balance at beginning of year	$ 1,160,009	1,125,663
Changes due to the CPI	60,312	34,346
Long-term receivable balance at end of year	$ 1,220,321	1,160,009

(8) CONCENTRATIONS

As previously discussed in Note 1, the Authority and AHS, a successor to Ardent, entered into an agreement that transferred assets of the Authority to AHS and allowed AHS to assume operations of the Hospital. In return, AHS pays a fee to the Authority of approximately $181,000 per year for property rental, as discussed in Note 6. The fee represents a significant portion of the Authority's revenues. For the years ended June 30, 2022 and 2021, the fees received from AHS represented 69% and 71%, respectively, of the Authority's rental income.

(9) SUBSEQUENT EVENTS

Effective October 1, 2022, the Authority signed a new lease agreement with AHS for the rental of a building designated as the Oklahoma Heart Institute in Henryetta, Oklahoma. The lease agreement is for 5 years, with one option to renew for an additional 5 years. Lease payments of $2,988 are due monthly.

Effective October 1, 2022, the Authority signed a new lease agreement with AHS for the rental of a building designated as the Family Care Clinic in Henryetta, Oklahoma. The lease agreement is for 5 years, with an option to renew for an additional 5 years. Lease payments of $6,474 are due monthly.

See Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Henryetta Hospital Authority
Henryetta, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Henryetta Hospital Authority (the "Authority"), a component unit of the City of Henryetta, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated January 23, 2023. Our report includes an explanatory paragraph disclaiming an opinion on management's discussion and analysis. Our report also includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the City of Henryetta that is attributable to transactions of the Authority. In addition, our report includes an explanatory paragraph to emphasize that the Authority adopted a new accounting standard, GASB 87, that resulted in the restatement of the financial statements as of and for the year ended June 30, 2021.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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.

(Continued)

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED

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 entity'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.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 23, 2023