

Henryetta Hospital Authority

Henryetta, Oklahoma

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)



HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Management's Discussion and Analysis</u>	I-1
<u>Financial Statements:</u>	
Statements of Net Position.....	5
Statements of Revenues, Expenses, and Changes in Net Position.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8
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 <u>Government Auditing Standards</u>	18

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, 2023 and 2022, 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, 2023 and 2022, 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 Matter

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, 2023 or 2022, 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)

INDEPENDENT AUDITORS' REPORT, CONTINUED

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

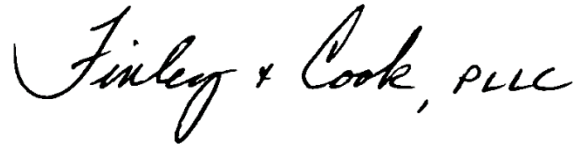
Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-2 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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 May 30, 2024, 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.

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
May 30, 2024

HENRYETTA HOSPITAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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, 2023.

Financial Highlights

The Authority's financial position as a whole increased during the fiscal year ended June 30, 2023. Cash and investments increased \$207,609, or 38%, from the previous year. Total assets increased \$1,188,195, or 14%, from the previous year. The increase was primarily related to an increase in the long-term lease receivable. Net position increased \$22,665, or .30%, 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, 2023, total assets were \$9,439,203, with no liabilities. For the year ended June 30, 2023, operating revenues of \$249,220 were less than operating expenses of \$325,497, resulting in operating losses of \$(76,277). The operating losses were primarily the result of depreciation expense of \$263,898.

Operating Revenues

Operating revenues decreased \$(14,224) during the fiscal year ended June 30, 2023. The decrease was the result of lower lease income.

Operating Expenses

Operating expenses decreased \$(9,540) during the fiscal year ended June 30, 2023. The decrease was primarily the result of lower repairs and maintenance expenses.

HENRYETTA HOSPITAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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 decreased \$(28,646) for the year ended June 30, 2023.
- Interest income on bank deposit accounts increased \$2,043 for the year ended June 30, 2023.
- Interest income received from long-term leases increased \$34,052 for the year ended June 30, 2023.

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, 2023, the Authority had \$18,007,248 invested in capital assets. The related accumulated depreciation was \$(12,360,729). Depreciation charges for the year totaled \$263,898, compared to \$261,930 in the previous year.

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

Debt

At June 30, 2023, 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

<i>June 30,</i>	<i>2023</i>	<i>2022</i>
Assets		
Current assets:		
Cash	\$ 248,905	442,698
Investments—certificates of deposit	501,608	100,206
Long-term leases receivable—current	228,694	125,279
Total current assets	979,207	668,183
Noncurrent assets:		
Capital assets:		
Property, buildings, and equipment	18,007,248	17,959,959
Less accumulated depreciation	(12,360,729)	(12,096,831)
Capital assets, net	5,646,519	5,863,128
Long-term receivable	1,251,986	1,220,321
Long-term leases receivable	1,561,491	499,376
Total noncurrent assets	8,459,996	7,582,825
Total assets	\$ 9,439,203	8,251,008
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Accounts payable	\$ -	-
Deferred inflows of resources:		
Deferred amounts related to lease receivables	1,790,185	624,655
Net position:		
Net investment in capital assets	5,646,519	5,863,128
Unrestricted	2,002,499	1,763,225
Total net position	7,649,018	7,626,353
Total liabilities, deferred inflows of resources, and net position	\$ 9,439,203	8,251,008

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

HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Operating revenues:		
Lease income	\$ 249,220	263,444
Total operating revenues	249,220	263,444
Operating expenses:		
Supplies, utilities, and purchased services	42,494	41,988
Insurance	8,083	7,803
Depreciation	263,898	261,930
Repairs and maintenance	456	12,669
Legal and professional	10,566	10,647
Total operating expenses	325,497	335,037
Net loss from operations	(76,277)	(71,593)
Non-operating revenues:		
Interest income—bank deposit accounts	2,416	373
Interest income—lease receivables	64,860	30,808
Increase in long-term receivable	31,666	60,312
Total non-operating revenues	98,942	91,493
Changes in net position	22,665	19,900
Net position, beginning of year	7,626,353	7,606,453
Net position, end of year	\$ 7,649,018	7,626,353

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

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Cash flows from operating activities:		
Lease income	\$ 249,220	263,444
Payments to vendors	(61,599)	(82,682)
Net cash provided by operating activities	<u>187,621</u>	<u>180,762</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(401,401)	(100,206)
Interest income—certificates of deposit	2,416	373
Interest income—lease receivables	64,860	30,808
Net cash used in investing activities	<u>(334,125)</u>	<u>(69,025)</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Change in capital assets, net	(47,289)	9,575
Net cash (used in) provided by capital and related financing activities	<u>(47,289)</u>	<u>9,575</u>
Net (decrease) increase in cash and cash equivalents	(193,793)	121,312
Cash and cash equivalents, beginning of year	<u>442,698</u>	<u>321,386</u>
Cash and cash equivalents, end of year	<u>\$ 248,905</u>	<u>442,698</u>
Reconciliation of net loss from operations to net cash provided by operating activities:		
Net loss from operations	\$ (76,277)	(71,593)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	263,898	261,930
Accounts payable	-	(9,575)
Net cash provided by operating activities	<u>\$ 187,621</u>	<u>180,762</u>

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

**HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

(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.

Beginning in November 2004, the Authority has been party to an agreement with various third parties in relation to the management of the Hospital. The agreement has been amended, renewed, and restated multiple times since November 2004. The most recent version of the agreement entered into in April 2018 is between the Authority and AHS Legacy Operations, LLC ("AHS"), as successor to Ardent Health Systems, and is currently scheduled to expire on September 30, 2027. The agreement with AHS allows for it to operate the Hospital, to use the Hospital's name in its operations, and that all equipment and operating assets of the Authority utilized in the Hospital's operations are considered to be transferred to AHS for 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.

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.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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.

Recent Accounting Pronouncements

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 adopted GASB 91 on July 1, 2022, which did not have a significant impact on the financial statements.

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 adopted GASB 94 on July 1, 2022, which did not have a significant impact on the financial statements.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 adopted GASB 96 on July 1, 2022, which did not have a significant impact on the financial statements.

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.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

- 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.

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 adopted GASB 99 on July 1, 2022, which did not 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. The Authority will adopt GASB 100 effective July 1, 2023, for the June 30, 2024, reporting year. 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. The Authority will adopt GASB 101 effective July 1, 2023, for the June 30, 2024, reporting year. The adoption of GASB 101 is not expected to have a significant effect on the financial statements.

See Independent Auditors’ Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 both June 30, 2023 and June 30, 2022. The investments are reported at cost, which approximates fair value, and are considered Level 2 in the fair value hierarchy.

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.

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 \$1,251,986 and \$1,220,321 as of June 30, 2023 and 2022, respectively. An allowance for doubtful accounts was not considered necessary as of June 30, 2023 or 2022.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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 May 30, 2024, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements..

(2) **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, 2023 and 2022, the Authority had a concentration of credit risk of \$1,096 and \$47,248, respectively, for amounts in excess of FDIC-insured amounts.

(3) **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, 2023, the certificates of deposit earned an interest rate between .55% to 3.5% and had maturities of 12 months or less. As of June 30, 2022, the certificates of deposit earned an interest rate of 0.55% and had maturities of 12 months or less.

HENRYETTA HOSPITAL AUTHORITY
HENRYETTA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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 <u>June 30, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance at <u>June 30, 2023</u>
Land	\$ 75,385	-	-	-	75,385
Land improvements	589,750	-	-	-	589,750
Buildings	12,086,036	-	-	-	12,086,036
Equipment	5,208,788	47,289	-	-	5,256,077
	17,959,959	47,289	-	-	18,007,248
Less accumulated depreciation	(12,096,831)	(263,898)	-	-	(12,360,729)
Capital assets, net	<u>\$ 5,863,128</u>	<u>(216,609)</u>	<u>-</u>	<u>-</u>	<u>5,646,519</u>

	Balance at <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance at <u>June 30, 2022</u>
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	<u>\$ 6,134,633</u>	<u>(261,930)</u>	<u>-</u>	<u>(9,575)</u>	<u>5,863,128</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) **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 expired 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, 2023 and 2022, amounted to \$487,802 and \$582,593, respectively. The long-term lease receivable for the hospital is determined using a discount rate of 4.0%. Lease income for the years ended June 30, 2023 and 2022, amounted to \$103,237 and \$99,196, respectively. Interest income for the years ended June 30, 2023 and 2022, amounted to \$21,763 and \$25,804, respectively. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to \$487,802 and \$582,593 as of June 30, 2023 and 2022, respectively.

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 the monthly payment are not significant to the financial statements. The long-term lease receivable for the helipad as of June 30, 2023 and 2022, amounted to \$21,003 and \$28,234, respectively. The long-term lease receivable for the helipad is determined using a discount rate of 4.0%. Lease income for the years ended June 30, 2023 and 2022, amounted to \$7,843 and \$7,536, respectively. Interest income for the years ended June 30, 2023 and 2022, amounted to \$1,012 and \$1,319, respectively. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to \$21,033 and \$28,234 as of June 30, 2023 and 2022, respectively.

(Continued)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

The Authority had a lease agreement with AHS to lease an orthopedic building. The lease was effective in November 2019 and expired in September 2022. The lease agreement required monthly payments of \$4,640. The long-term lease receivable for the orthopedic building as of June 30, 2022, amounted to \$13,828. The long-term lease receivable for the orthopedic building was determined using a discount rate of 4.0%. Lease income for the years ended June 30, 2023 and 2022, amounted to \$18,407 and \$53,774, respectively. Interest income for the years ended June 30, 2023 and 2022, amounted to \$154 and \$1,908, respectively. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to \$13,828 as of June 30, 2022.

The Authority has a lease agreement with AHS Henryetta Hospital LLC to lease the Family Care Clinic. The lease was effective on October 1, 2022 and expires in December 2027. The lease agreement requires monthly payments of \$6,473. The long-term lease receivable as of June 30, 2023, amounted to \$580,610. The long-term lease receivable for the Family Care Clinic is determined using a discount rate of 4.8%. Lease income for the year ended June 30, 2023, amounted to \$39,292. Interest income for the year ended June 30, 2023, amounted to \$18,793. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the lease amounting to \$580,610 as of June 30, 2023.

The Authority has two lease agreements with AHS Henryetta Hospital LLC with similar terms to lease the 2405 W Main Building. The leases were effective on October 1, 2022 and expire in December 2027. The lease agreements require monthly payments totaling \$7,830. The long-term lease receivable as of June 30, 2023, amounted to \$700,740. The long-term lease receivable for the 2405 W Main location is determined using a discount rate of 4.8%. Lease income for the year ended June 30, 2023, amounted to \$47,335. Interest income for the year ended June 30, 2023, amounted to \$23,138. In accordance with GASB 87, the Authority recognized deferred inflows of resources associated with the leases amounting to \$700,740 as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) 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, 2023 and 2022, using the formula defined in the Agreement. The receivable balance and adjustments recorded are as follows:

	<u>2023</u>	<u>2022</u>
Long-term receivable balance at beginning of year	\$ 1,220,321	1,160,009
Changes due to the CPI	<u>31,665</u>	<u>60,312</u>
Long-term receivable balance at end of year	<u>\$ 1,251,986</u>	<u>1,220,321</u>

(7) 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 the lease of property, as discussed in Note 6. The fee represents a significant portion of the Authority's revenues. For the years ended June 30, 2023 and 2022, the fees received from AHS represented 97% and 69%, respectively, of the Authority's lease income.

**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, 2023, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated May 30, 2024. 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.

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)

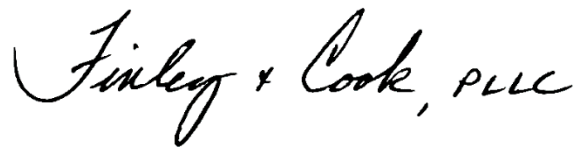
**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

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.

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The script is cursive and fluid, with the letters "F" and "C" being particularly large and stylized.

Shawnee, Oklahoma
May 30, 2024