



Financial Statements

June 30, 2022

**Leflore County Hospital Authority**  
**A Component Unit of LeFlore County,**  
**Oklahoma**

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
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June 30, 2022

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## Independent Auditor's Report

Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, Oklahoma

### Report on Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying statement of net position of Leflore County Hospital Authority A Component Unit of LeFlore County, Oklahoma (Authority), as of June 30, 2022, and the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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

#### ***Basis for Opinion***

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by the missing information.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 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, 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 cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
April 19, 2023

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Net Position  
June 30, 2022

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Assets

Current Assets

Cash and cash equivalents	\$ 7,146,801
Restricted for debt service	111,045
Restricted under Provider Relief Funds	333,887
Receivables	
Patient, net of estimated uncollectibles of approximately \$2,390,000 in 2022	2,831,821
Sales tax	348,486
Estimated third party-payor settlements	249,725
Other	74,923
Inventories	449,748
Prepaid expenses	<u>220,408</u>
Total current assets	<u>11,766,844</u>

Capital Assets

Capital assets not being depreciated	699,368
Capital assets being depreciated, net	6,451,899
Right to use leased assets, net of accumulated amortization	<u>1,750,611</u>
Total capital assets	<u>8,901,878</u>
Total assets	<u><u>\$ 20,668,722</u></u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Net Position  
June 30, 2022

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Liabilities and Net Position

Current Liabilities

Current maturities of long-term debt	\$ 424,074
Current maturities of right to use lease liabilities	565,937
Current maturities of Centers for Medicare & Medicaid Services (CMS) advance payments	1,241,453
Accounts payable	
Trade	1,134,448
Interest	60,760
Accrued expenses	967,663
Refundable advance - Covid SHIP grant	261,068
Refundable advance - Provider Relief Funds	333,887

Total current liabilities	4,989,290
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Non-Current Liabilities

Long-term debt, less current maturities	14,239,674
Right to use lease liabilities	1,550,922

Total non-current liabilities	15,790,596
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Total liabilities	20,779,886
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Net Position

Net investment in capital assets	(5,103,340)
Restricted - expendable for debt service	111,045
Unrestricted	4,881,131

Total net position (deficit)	(111,164)
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Total liabilities and net position (deficit)	\$ 20,668,722
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Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Revenues, Expenses and Change in Net Position  
Year Ended June 30, 2022

Operating Revenues	
Net patient service revenue (net of provision for bad debts of \$4,578,852 in 2022)	\$ 19,567,961
Other revenue	569,426
	<u>20,137,387</u>
Total operating revenues	
Operating Expenses	
Salaries and wages	12,198,591
Employee benefits	2,523,086
Professional fees and purchased services	2,986,612
Supplies	3,902,983
Other	1,403,917
Depreciation and amortization	1,629,929
	<u>24,645,118</u>
Total operating expenses	
Operating Loss	<u>(4,507,731)</u>
Nonoperating Revenues (Expenses)	
Investment income	8,504
Interest expense	(860,253)
Sales tax income	2,246,798
Gain on disposal of equipment	7,700
Provider Relief Funds	1,558,839
Forgiveness of Paycheck Protection Program Loan	2,526,676
	<u>5,488,264</u>
Net nonoperating revenues	
Revenue in Excess of Expenses and Change in Net Position	980,533
Net Deficit, Beginning of Year	<u>(1,091,697)</u>
Net Deficit, End of Year	<u><u>\$ (111,164)</u></u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Cash Flows  
Year Ended June 30, 2022

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Operating Activities	
Receipts from and on behalf of patients	\$ 20,143,231
Payments to suppliers and contractors	(8,241,553)
Payments to and on behalf employees	(14,831,864)
Other receipts and payments, net	<u>558,115</u>
Net Cash used for Operating Activities	<u>(2,372,071)</u>
Noncapital Financing Activities	
Sales taxes received	2,246,798
Non capital grants	261,068
Recoupments of CMS advance payments	(407,694)
Receipts from Provider Relief Funds	<u>1,493,733</u>
Net Cash from Noncapital Financing Activities	<u>3,593,905</u>
Capital and Capital Related Financing Activities	
Principal payments on long-term debt	(995,375)
Interest payments on long-term debt	(880,638)
Proceeds from disposal of equipment	7,700
Purchase of capital assets	<u>(640,416)</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(2,508,729)</u>
Net Cash from Investing Activities	
Investment income	<u>8,504</u>
Net Change in Cash and Cash Equivalents	(1,278,391)
Cash and Cash Equivalents, Beginning of Year	<u>8,870,124</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,591,733</u></u>
Statements of Net Position	
Cash and cash equivalents	\$ 7,146,801
Restricted for debt service	111,045
Restricted under Provider Relief Funds	<u>333,887</u>
Total cash and cash equivalents	<u><u>\$ 7,591,733</u></u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Cash Flows  
Year Ended June 30, 2022

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Reconciliation of Operating Loss to Net Cash used for

Operating Activities	
Operating loss	\$ (4,507,731)
Adjustments to reconcile operating loss to net cash	
Depreciation and amortization	1,629,929
Provision for bad debts	4,578,852
Changes in assets and liabilities	
Patient receivables	(4,837,224)
Other receivables	(9,760)
Inventories	(42,804)
Prepaid expense	(39,788)
Accounts payable	133,000
Estimated third-party payor settlements	833,642
Accrued expenses	(110,187)

Net Cash used for Operating Activities	<u><u>\$ (2,372,071)</u></u>
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Supplemental Disclosure of Noncash Capital and Capital Related  
Financing Activities

Equipment obtained through right to use asset agreement	<u><u>\$ 708,850</u></u>
Construction in progress in accounts payable	<u><u>\$ 178,137</u></u>

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

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

**Reporting Entity**

The Authority was created under a trust indenture dated June 30, 1976, as a public trust under provisions of Title 60 of the Oklahoma Statutes for the benefit of the citizens of Leflore County, Oklahoma. The Authority is a component unit of Leflore County, Oklahoma.

The Eastern Oklahoma Medical Center (Hospital) is owned by Leflore County, Oklahoma, however, under terms of an agreement dated June 30, 1976 operations of the facility are being utilized by the Leflore County Hospital Authority for an initial term of fifty years. Consideration for use of the facilities is the installation and construction of improvements under terms of the agreement. The Hospital is a 25-bed critical access care hospital located in Poteau, Oklahoma. Leflore County Hospital Authority primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Poteau, Oklahoma area. The Hospital operates three clinics in the same geographic area.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority.

**Blended Component Unit**

The Leflore County Sales Tax Supported Hospital Authority (Sales Tax Authority) is a public trust created October 6, 2014 pursuant to Title 60 Oklahoma Statutes. The purpose of the Sales Tax Authority is to manage and account for the ½ cent sales tax passed by the citizens of Leflore County, Oklahoma on August 26, 2014. The stated purpose of that tax was for the operations and debt service needs of the Hospital and related clinics operated by the Authority. The Sales Tax Authority is included as a blended component unit of the Authority. The financial statements include only the financial activity of the Hospital and Sales Tax Authority, collectively referred to as the Authority.

### **Measurement Focus and Basis of Accounting**

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

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

### **Basis of Presentation**

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

*Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

*Restricted net position:*

*Restricted - expendable net position* results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

*Restricted – nonexpendable net position* is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority had no restricted, nonexpendable net position at June 30, 2022.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding restricted cash. For purposes of the statement of cash flows, the Authority considers all cash with a maturity of three months or less as cash and cash equivalents.

### **Restricted Cash**

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

### **Patient Receivables**

Patient receivables are uncollateralized customer and third-party payor obligations. Patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Authority's collections procedures. The Authority does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

### **Sales Tax**

On August 26, 2014, the citizens of Leflore County, Oklahoma passed a ½ cent sales tax with no expiration date designed for operations and debt service of the Sales Tax Authority. The Authority received approximately 8% of its financial support from county appropriations related to sales taxes during the year ended June 30, 2022.

### **Inventories**

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

### **Investment Income**

Investment income on cash and cash equivalents consists primarily of interest from deposits.

### Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method.

The estimated useful lives of capital assets are as follows:

Land improvements	10 years
Building and improvements	20-40 years
Equipment	3-20 years

Right to use leased assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any direct cost necessary to place the leased asset into service.

Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 7 years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

### Compensated Absences

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

### Operating Revenues and Expenses

The Authority's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Authority result from exchange transactions associated with providing health care services - the Authority's principal activity, and the costs of providing those services, including depreciation and amortization and excluding interest cost. All other revenues and expenses are reported as nonoperating.

### **Net Patient Service Revenue**

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### **Charity Care**

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$1,000 for the year ended June 30, 2022. Total direct and indirect cost related to those forgone charges were approximately \$0 for the year ended June 30, 2022, based on average ratios of cost to gross charges. The amount of charity care given depends on the number of patients that apply for charity care during the year and the cost of services provided.

### **Grants and Contributions**

The Authority may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

### **Supplemental Hospital Offset Payment Program Act**

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), requires a fee on hospitals to generate matching funds to the State of Oklahoma from federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

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

The Authority received SHOPP funds totaling approximately \$2,215,000 for the year ended June 30, 2022, which are included in net patient service revenue.

### Implementation of GASB Statement No. 87

As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of implementing this standard the Authority recognized right of use assets and liabilities of approximately \$1,900,000 as of July 1, 2021, respectively. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes 5 and 6.

### Note 2 - Net Patient Service Revenue

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

**Medicare:** The Authority is licensed as a Critical Access Hospital (CAH). The Authority is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Authority and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended June 30, 2020. Clinical services are paid on a cost basis or fixed fee schedule.

**Medicaid:** The Authority is reimbursed for services rendered to patients covered by the state Medicaid program on a prospective per discharge or fee schedule method with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

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

Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the year ended June 30, 2022:

Medicare	36%
Medicaid	18%
Commercial insurance	33%
Self pay and other	13%
	<hr/>
	100%
	<hr/> <hr/>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the year ended June 30, 2022 decreased approximately \$211,000 due to the difference in amounts collected compared to amounts originally estimated.

#### **CMS Advanced Payments**

The CMS Advanced Payments balance consists of advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Authority received \$1,772,443 in advanced payments during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after the date of issuance of each advanced payment. This recoupment process will continue until the balance of the advanced payments has been recouped or 29 months from the date each advanced payment was issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period. The portion expected to be recouped in the next 12 months is included in current liabilities.

#### **Note 3 - Deposits**

The carrying amounts of the Authority's deposits at June 30, 2022 are as follows:

Carrying Amount	
Cash Deposits in Banks	<u>\$ 7,591,733</u>

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

Cash and cash equivalents	\$ 7,146,801
Restricted for debt service	111,045
Restricted under provider relief	<u>333,887</u>
	<u>\$ 7,591,733</u>

### Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. Statutes also require that the market value of the collateral be at least 100% of the excess deposits. The Authority's deposit policy does not further restrict bank deposits or limit investment deposits.

As of June 30, 2022, \$96,953 of the Authority's bank balance of \$7,657,850 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 96,953
Insured and collateral held by pledging bank's trust department in the Authority's name	<u>7,560,897</u>
	<u><u>\$ 7,657,850</u></u>

### Note 4 - Provider Relief Funds

The Authority received \$1,491,896 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) for the year ended June 30, 2022. The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses and lost revenues varying based on the date the Authority received the funds. Unspent funds will be expected to be repaid.

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

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2022

As of June 30, 2022, the Authority had a liability of \$333,887, which was included in current liabilities on the accompanying statement of net position refundable advance - Provider Relief Funds, as well as restricted cash totaling \$333,887, which is subject to the restrictions imposed by HHS. During the year ended June 30, 2022, the Authority recognized \$1,558,839 as revenue included as nonoperating revenues on the statement of revenues, expenses and changes in net position.

## Note 5 - Capital Assets

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

	(Restated) Balance June 30, 2021	Additions	Transfers and Retirements	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 525,133	\$ -	\$ -	\$ 525,133
Construction in progress	185,983	191,310	(203,058)	174,235
Total capital assets not being depreciated	<u>\$ 711,116</u>	<u>\$ 191,310</u>	<u>\$ (203,058)</u>	<u>\$ 699,368</u>
Capital assets being depreciated				
Land improvements	\$ 101,697	\$ 83,130	\$ -	\$ 184,827
Building and improvements	27,671,573	25,902	7,074	27,704,549
Equipment	18,378,361	340,044	(717,514)	18,000,891
Total capital assets being depreciated	<u>46,151,631</u>	<u>\$ 449,076</u>	<u>\$ (710,440)</u>	<u>45,890,267</u>
Less accumulated depreciation for				
Land improvements	(101,697)	\$ (7,681)	\$ -	(109,378)
Building and improvements	(20,436,863)	(794,781)	-	(21,231,644)
Equipment	(18,484,421)	(172,433)	559,508	(18,097,346)
Total accumulated depreciation	<u>(39,022,981)</u>	<u>\$ (974,895)</u>	<u>\$ 559,508</u>	<u>(39,438,368)</u>
Net capital assets being depreciated	<u>\$ 7,128,650</u>			<u>\$ 6,451,899</u>
Capital assets, net	<u>\$ 7,839,766</u>			<u>\$ 7,151,267</u>

Construction in progress at June 30, 2022, represents various remodel and flooring projects funded internally and completed in October 2022.

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2022

Right to use leased assets additions, retirements or transfers, and balances for the year ended June 30, 2022 are as follows:

	(Restated) Balance June 30, 2021	Additions	Transfers and Retirements	Balance June 30, 2022
Right to use leased assets being amortized				
Right to use leased equipment	\$ 2,449,354	\$ 535,475	\$ -	\$ 2,984,829
Right to use leased Office equipment	101,524	14,222	-	115,746
Right to use leased facilities	<u>264,156</u>	<u>159,153</u>	<u>(264,156)</u>	<u>159,153</u>
	<u>2,815,034</u>	<u>\$ 708,850</u>	<u>\$ (264,156)</u>	<u>3,259,728</u>
Less accumulated amortization for				
Right to use leased equipment	(891,428)	\$ (560,434)	\$ -	(1,451,862)
Right to use leased Office equipment	(28,694)	(15,296)	-	(43,990)
Right to use leased facilities	<u>(198,117)</u>	<u>(79,304)</u>	<u>264,156</u>	<u>(13,265)</u>
	<u>(1,118,239)</u>	<u>\$ (655,034)</u>	<u>\$ 264,156</u>	<u>(1,509,117)</u>
Net right to use leased assets	<u>\$ 1,696,795</u>			<u>\$ 1,750,611</u>

## Note 6 - Lease Obligations

The Authority has entered into lease agreements for medical equipment, office equipment and facilities. The Authority is required to make principal and interest payments through November 2027. The lease liability was valued using stated and discount rates between 0.4% and 7.27% based on the Authority's incremental borrowing rate at the inception of the leases.

	(Restated) Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Due Within One Year
Right to use asset obligations					
Liabilities for right to use medical equipment	\$ 1,790,681	\$ 535,475	\$ (423,794)	\$ 1,902,362	\$ 496,162
Liabilities for right to use office equipment	73,987	14,222	(20,344)	67,865	23,258
Liabilities for right to use facilities	<u>76,533</u>	<u>159,183</u>	<u>(89,084)</u>	<u>146,632</u>	<u>46,517</u>
Total liabilities for right to use assets	<u>\$ 1,941,201</u>	<u>\$ 708,880</u>	<u>\$ (533,222)</u>	<u>\$ 2,116,859</u>	<u>\$ 565,937</u>

As of June 30, 2022, the value of the lease liabilities were \$2,116,859, the leased assets are \$1,750,611 and consisted of the following for right to use assets:

Liabilities for right to use medical equipment with a value of the lease liabilities of \$1,902,362 at June 30, 2022 consisted of the following:

- Right to use medical equipment with a lease liability value of \$79,971. The Authority is required to make monthly principal and interest payments of \$3,450 through June 2024. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of \$248,010. The Authority is required to make monthly principal and interest payments of \$7,558 through November 2024. The lease liability has an interest rate of 0.38%. The lease contains a fair market purchase option at the conclusion of the lease.
- Right to use medical equipment with a lease liability value of \$10,825. The Authority is required to make monthly principal and interest payments of \$2,140 through February 2023. The lease liability was valued using a discount rate of 3.50% based on the Authority's incremental borrowing rate. The lease contains a fair market value purchase option at the conclusion of the lease.
- Right to use medical equipment with a lease liability value of \$27,688. The Authority is required to make monthly principal and interest payments of \$1,044 through November 2024. The lease liability was valued using a discount rate of 7.27% based on the Authority's incremental borrowing rate. The lease contains a bargain purchase option at the conclusion of the lease.
- Right to use medical equipment with a lease liability value of \$979,314. The Authority is required to make monthly principal and interest payments of \$16,500 through December 2027. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of \$161,413. The Authority is required to make monthly principal and interest payments of \$2,924 with 5 successive one-year options to renew through May 2027. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The Authority has the option to acquire title at the conclusion of the agreement.
- Right to use medical equipment with a lease liability value of \$29,205. The Authority is required to make monthly principal and interest payments of \$1,259 with 3 successive one-year options to renew through July 2024. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The Authority has the option to acquire title at the conclusion of the agreement.
- Right to use medical equipment with a lease liability value of \$184,512. The Authority is required to make monthly principal and interest payments of \$6,093 with 3 successive one-year options to renew through February 2025. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The Authority has the option to acquire title at the conclusion of the agreement.
- Right to use medical equipment with a lease liability value of \$181,424. The Authority is required to make monthly principal and interest payments of \$3,690 through December 2026. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The agreement contains a provision for annual purchase commitment of \$78,236.

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2022

Liabilities for right to use office equipment consist of multiple agreements, the value of the lease liabilities for office equipment at June 30, 2022 of \$67,865. The Authority is required to make monthly principal and interest at varying amounts up to \$13,554 through April 2027. The leases liabilities were valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate, with an option to purchase at fair market value.

Liabilities for right to use facilities with a value of the lease liabilities of \$146,632 at June 30, 2022. The Authority is required to make monthly principal and interest of \$5,450 through April 2025. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate, with an option to extend three successive periods for one-year terms.

Remaining principal and interest payments on leases are as follows:

Years Ending June 30	Leases Payable	
	Principle	Interest
2023	\$ 565,937	\$ 72,368
2024	541,410	50,546
2025	406,911	28,831
2026	271,956	16,020
2027	248,832	7,044
2028	81,813	688
Total	<u>\$ 2,116,859</u>	<u>\$ 175,497</u>

#### Note 7 - Long-Term Debt

A schedule of changes in the Authority's long-term debt from direct placement, direct borrowings and capital leases at June 30, 2022 consist of:

	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Amounts Due Within One Year
Note from Direct Placement	<u>\$ 12,662,400</u>	<u>\$ -</u>	<u>\$ (368,768)</u>	<u>\$ 12,293,632</u>	<u>\$ 364,300</u>
Notes from Direct Borrowings					
Note payable to USDA	<u>2,436,549</u>	<u>-</u>	<u>(66,433)</u>	<u>2,370,116</u>	<u>59,774</u>
Total notes payable	<u>\$ 15,098,949</u>	<u>\$ -</u>	<u>\$ (435,201)</u>	<u>\$ 14,663,748</u>	<u>\$ 424,074</u>

### Note from Direct Placement

The Sales Tax Authority issued Sales Tax Revenue Note, Series 2018 (Revenue Note) in the original amount of \$13,650,000. The Revenue Note shall bear interest at a fixed rate of 5.75% and will be adjusted every three years. The first scheduled interest rate adjustment is scheduled for August 1, 2022. The Revenue Note is payable in monthly installments of principal and interest payments with a maturity date of May 2041. The Revenue Note is secured by the sales tax revenues. The Revenue Note requires that certain funds be established with the trustee. Accordingly, these funds are included as current cash held by trustee for debt service in the accompanying statements of net position. The Indenture also requires the Authority to comply with certain restrictive covenants.

### Note Payable to USDA

The Authority issued a real estate mortgage note payable in the amount of \$3,000,000 at 4.38% in 2006 for the construction of a medical office building. The note is payable in monthly installments of principal and interest of \$13,380 with a maturity date of June 2046. Collateral includes all receipts, revenues, income and other monies received by or on behalf of the Authority. The note requires that certain funds be established with the trustee and requires the Authority to comply with certain restrictive covenants.

Scheduled principal and interest payment on direct placements, direct borrowings and payments on capital lease obligations are as follows:

Years Ending June 30	Notes for Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 424,074	\$ 825,676
2024	441,038	807,893
2025	469,215	779,761
2026	496,513	725,253
2027	526,736	695,331
2028-2032	3,139,499	3,105,770
2033-2037	4,196,239	2,048,852
2038-2042	4,394,899	671,167
2043-2047	575,535	54,166
	<u>\$ 14,663,748</u>	<u>\$ 9,713,869</u>

**Note 8 - Concentrations of Credit Risk**

The Authority grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from third-party payors and patients at June 30, 2022 was as follows:

Medicare	14%
Medicaid	12%
Commercial insurance	33%
Self pay and other	41%
	100%

**Note 9 - Contingencies**

**Risk Management**

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

**Malpractice Insurance**

The Authority has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

**Litigations, Claims, and Disputes**

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Authority.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

### COVID-19 Pandemic

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

### Note 10 - Management Agreement

The Authority has a management service agreement with Tahlequah Hospital Authority. The agreement is for a five-year term. The Authority is to pay \$25,000 per month for the management services. The management fees for the year ended June 30, 2022 were \$300,000.

### Note 11 - Presentation of Blended Component Units

The following summarizes combining information for the Authority and the Sales Tax Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2022.

Statement of net position as of June 30, 2022:

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Total
Assets			
Current assets	\$ 11,317,177	\$ 449,667	\$ 11,766,844
Capital assets	8,901,878	-	8,901,878
Total assets	<u>\$ 20,219,055</u>	<u>\$ 449,667</u>	<u>\$ 20,668,722</u>
Liabilities			
Current liabilities	\$ 4,562,402	\$ 426,888	\$ 4,989,290
Non-current liabilities	3,863,664	11,926,932	15,790,596
Total liabilities	<u>8,426,066</u>	<u>12,353,820</u>	<u>20,779,886</u>
Net Position			
Net investment in capital assets	4,414,903	(9,518,243)	(5,103,340)
Restricted - expendable for debt service	20,357	90,688	111,045
Unrestricted	7,357,729	(2,476,598)	4,881,131
Total net position (deficit)	<u>11,792,989</u>	<u>(11,904,153)</u>	<u>(111,164)</u>
Total liabilities and net position (deficit)	<u>\$ 20,219,055</u>	<u>\$ 449,667</u>	<u>20,668,722</u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2022

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

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Total
Operating revenues			
Net patient service revenue	\$ 19,567,961	\$ -	\$ 19,567,961
Other revenue	569,426	-	569,426
Total operating revenues	<u>20,137,387</u>	<u>-</u>	<u>20,137,387</u>
Operating expenses			
Depreciation	1,629,929	-	1,629,929
Other operating expenses	23,015,189	-	23,015,189
Total operating expenses	<u>24,645,118</u>	<u>-</u>	<u>24,645,118</u>
Operating loss	(4,507,731)	-	(4,507,731)
Nonoperating revenues	3,958,269	1,529,995	5,488,264
Revenues in excess of (less than) expenses and change in net position	(549,462)	1,529,995	980,533
Transfers	1,157,000	(1,157,000)	-
Net position (deficit), beginning of year	<u>11,185,451</u>	<u>(12,277,148)</u>	<u>(1,091,697)</u>
Net position (deficit), end of year	<u>\$ 11,792,989</u>	<u>\$ (11,904,153)</u>	<u>\$ (111,164)</u>

Cash flows for the year ended June 30, 2022:

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Total
Net cash used for operating activities	\$ (2,372,071)	\$ -	\$ (2,372,071)
Net cash from noncapital financing activities	2,506,969	1,086,936	3,593,905
Net cash used for capital and capital related financing activities	(1,423,125)	(1,085,604)	(2,508,729)
Net cash from investing activities	8,471	33	8,504
Net change in cash and cash equivalents	(1,279,756)	1,365	(1,278,391)
Cash and cash equivalents, beginning of year	<u>8,770,308</u>	<u>99,816</u>	<u>8,870,124</u>
Cash and cash equivalents, end of year	<u>\$ 7,490,552</u>	<u>\$ 101,181</u>	<u>\$ 7,591,733</u>

**Note 12 - Subsequent Events**

The Authority has evaluated subsequent events through April 19, 2023, the date which the financial statements were available to be issued.



Supplementary Information

**Leflore County Hospital Authority**  
**A Component Unit of LeFlore County,**  
**Oklahoma**



## Independent Auditor's Report on Supplementary Information

To the Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, Oklahoma

We have audited the financial statements of Leflore County Hospital Authority, a Component Unit of LeFlore County, Oklahoma as of and for the year ended June 30, 2022 and have issued our report thereon dated April 19, 2023, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The combining schedules of statement of net position information and combining schedules of revenues, expenses and changes in net position information are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Oklahoma City, Oklahoma  
April 19, 2023

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Combining Schedule – Statement of Net Position Information  
June 30, 2022

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Eliminations	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 7,136,308	\$ 10,493	\$ -	\$ 7,146,801
Restricted for debt service	20,357	90,688	-	111,045
Restricted under provider relief funds	333,887	-	-	333,887
Receivables				
Patient, net	2,831,821	-	-	2,831,821
Sales tax	-	348,486	-	348,486
Estimated third party-payor settlements	249,725	-	-	249,725
Other	74,923	-	-	74,923
Inventories	449,748	-	-	449,748
Prepaid expenses	220,408	-	-	220,408
<b>Total current assets</b>	<b>11,317,177</b>	<b>449,667</b>	<b>-</b>	<b>11,766,844</b>
<b>Capital Assets</b>				
Capital assets not being depreciated	699,368	-	-	699,368
Capital assets being depreciated, net	6,451,899	-	-	6,451,899
Right to use leased assets, net	1,750,611	-	-	1,750,611
<b>Total capital assets</b>	<b>8,901,878</b>	<b>-</b>	<b>-</b>	<b>8,901,878</b>
<b>Total assets</b>	<b>\$ 20,219,055</b>	<b>\$ 449,667</b>	<b>\$ -</b>	<b>\$ 20,668,722</b>
<b>Liabilities and Net Position</b>				
<b>Current liabilities</b>				
Current maturities of long-term debt	\$ 57,374	\$ 366,700	\$ -	\$ 424,074
Current maturities of right to use lease liabilities	565,937	-	-	565,937
Current maturities of CMS advance payments	1,241,453	-	-	1,241,453
Accounts payable				
Trade	1,134,448	-	-	1,134,448
Interest	572	60,188	-	60,760
Accrued expenses	967,663	-	-	967,663
Refundable advance - provider relief funds	333,887	-	-	333,887
Covid Ship Grant	261,068	-	-	261,068
<b>Total current liabilities</b>	<b>4,562,402</b>	<b>426,888</b>	<b>-</b>	<b>4,989,290</b>
<b>Non-current liabilities</b>				
Long-term debt, less current maturities	2,312,742	11,926,932	-	14,239,674
Right to use lease liabilities	1,550,922	-	-	1,550,922
CMS advance payments, less current maturities	-	-	-	-
<b>Total non-current liabilities</b>	<b>3,863,664</b>	<b>11,926,932</b>	<b>-</b>	<b>15,790,596</b>
<b>Total liabilities</b>	<b>8,426,066</b>	<b>12,353,820</b>	<b>-</b>	<b>20,779,886</b>
<b>Net Position</b>				
Net investment in capital assets	4,414,903	(9,518,243)	-	(5,103,340)
Restricted - expendable for debt service	20,357	90,688	-	111,045
Unrestricted	7,357,729	(2,476,598)	-	4,881,131
<b>Total net position (deficit)</b>	<b>11,792,989</b>	<b>(11,904,153)</b>	<b>-</b>	<b>(111,164)</b>
<b>Total liabilities and net position (deficit)</b>	<b>\$ 20,219,055</b>	<b>\$ 449,667</b>	<b>\$ -</b>	<b>\$ 20,668,722</b>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma

Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2022

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Eliminations	Total
Operating revenues				
Net patient service revenue, net of provision for bad debts	\$ 19,567,961	\$ -	\$ -	\$ 19,567,961
Other revenue	569,426	-	-	569,426
Total revenue	<u>20,137,387</u>	<u>-</u>	<u>-</u>	<u>20,137,387</u>
Operating expenses				
Salaries and wages	12,198,591	-	-	12,198,591
Employee benefits	2,523,086	-	-	2,523,086
Professional fees and purchased services	2,986,612	-	-	2,986,612
Supplies	3,902,983	-	-	3,902,983
Other	1,403,917	-	-	1,403,917
Depreciation	1,629,929	-	-	1,629,929
Total operating expenses	<u>24,645,118</u>	<u>-</u>	<u>-</u>	<u>24,645,118</u>
Operating loss	<u>(4,507,731)</u>	<u>-</u>	<u>-</u>	<u>(4,507,731)</u>
Nonoperating revenues (expenses)				
Sales tax income	-	2,246,798	-	2,246,798
Investment income	8,471	33	-	8,504
Interest expense	(143,417)	(716,836)	-	(860,253)
Gain (loss) on equipment disposal	7,700	-	-	7,700
Provider Relief Funds	1,558,839	-	-	1,558,839
Forgiveness of Paycheck Protection loan	2,526,676	-	-	2,526,676
Net nonoperating revenues (expenses)	<u>3,958,269</u>	<u>1,529,995</u>	<u>-</u>	<u>5,488,264</u>
Revenues in Excess of (Less Than) Expenses and Change in Net Position	(549,462)	1,529,995	-	980,533
Transfers	1,157,000	(1,157,000)	-	-
Net Position (Deficit), Beginning of Year	<u>11,185,451</u>	<u>(12,277,148)</u>	<u>-</u>	<u>(1,091,697)</u>
Net Position (Deficit), End of Year	<u>\$ 11,792,989</u>	<u>\$ (11,904,153)</u>	<u>\$ -</u>	<u>\$ (111,164)</u>



**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Leflore County Hospital Authority (Authority), a Component Unit of LeFlore County, Oklahoma, as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 19, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 to 2022-003 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-004 to 2022-005 to be significant deficiencies.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of Findings and Questioned Costs as item 2022-006.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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 "Eide Sully LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
April 19, 2023



**Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, Oklahoma

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Leflore County Hospital Authority, A Component Unit of LeFlore County, Oklahoma's (Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

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### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-007 and 2022-008. Our opinion on the major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's responses to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-007 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-008 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's responses to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the other auditing procedures applied in an audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2022, and have issued our report thereon dated April 19, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Oklahoma City, Oklahoma  
April 19, 2023

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Rural Development Program			
Community Facilities Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766	N/A	\$ 2,436,549
Department of Health and Human Services			
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	N/A	16,892
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	N/A	66,943
Total Department of Health and Human Services			83,835
Total Federal Financial Assistance			\$ 2,520,384

**Note 1- Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Leflore County Hospital Authority (Authority), a Component Unit of LeFlore County, Oklahoma under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting, with the exception for the COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund (Federal Financial Assistance Listing #93.461), which is based on when the claim is eligible evidenced by the receipt of monies from the federal agency. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The Authority does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

**Note 4 - Loan Program**

Expenditures reported on the schedule consist of the beginning of the year outstanding loan balance plus advances made on the loan during the year. The outstanding balance of the direct loan at June 30, 2022, was \$2,370,116.

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022

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**Section I – Summary of Auditor’s Results**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Community Facilities Loans and Grants Cluster	
Community Facilities Loans and Grants	10.766
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2022-001      Preparation of Financial Statements and Schedule of Expenditures of Federal Awards  
Material Weakness in Internal Controls Over Financial Reporting**

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

*Condition:* The Authority does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as well as the schedule of expenditures of federal awards as required by GAAP and GASB. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, material misstatements to the financial statements, were identified.

*Cause:* The Authority experienced turn over in the accounting department, and previously considered having the expertise necessary to prepare the financial statements including all disclosures in accordance with GAAP to be costly and ineffective.

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

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

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

**2022-002      Implementation of New Accounting Standard**  
**Material Weakness in Internal Controls Over Financial Reporting**

*Criteria:* A properly designed system of internal control over financial reporting includes controls to ensure new accounting standards are properly implemented in financial reporting.

*Condition:* The Authority did not have an internal control system designed to properly implement GASB Statement No.87, *Leases*.

*Cause:* The Authority does not have properly designed reporting process, to implement new accounting standards.

*Effect:* Adjustments were required during the audit to properly state the account balances impacted by the new standard. In addition, the need for adjustments indicates the Authority's interim financial information may not have been correct, which may affect management decisions during the course of the year. Audit adjustments were required to fairly state right to use assets, net capital assets, right use liabilities and long-term debt.

*Auditor's Recommendation:* It is recommended that the Authority develop policies and procedures over the implementation of new accounting standards and to monitor lease transactions going forward. Management will need to analyze any new agreements entered into by the Authority and ensure leases meeting the criteria of GASB 87, *Leases* are correctly reported.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

**2022-003**

**Material Audit Adjustments**

**Material Weakness in Internal Controls Over Financial Reporting**

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

*Condition:* During the course of our engagement, we proposed material audit adjustments in the following areas that would not have been identified as a result of the Authority's existing internal controls, the effect of the corrected misstatements was a decrease to net position of approximately \$1,523,000.

- Right of use assets and related obligations
- CMS advance payment liabilities
- Estimated third party payor settlements
- Net position (deficit)
- Long term debt
- Inventory
- Provider Relief funds
- Accounts payable
- Capital assets

*Cause:* Material misstatements were not identified and corrected in a timely manner due to a lack of established review processes.

*Effect:* Material misstatements could occur in the financial statements and not be detected by management in a timely manner.

*Auditor's Recommendation:* It is recommended the Authority implement a system that provides adequate controls over recording transactions, reconciling accounts, and identifying misstatements.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

**2022-004      Reconciliation of Depreciation Schedule  
Significant Deficiency In Internal Control Over Financial Reporting**

*Criteria:* Reviewing and reconciling accounts to the general ledger is a necessary step in the Authority's internal control process.

*Condition:* During the course of our engagement, we identified capital assets are not being reconciled from the depreciation schedule to the general ledger on a timely basis.

*Cause:* The Authority did not have internal controls to ensure the depreciation schedule is being reconciled to the general ledger.

*Effect:* Misstatements are not identified and corrected in a timely manner.

*Auditor's Recommendation:* We recommend management prepare account reconciliations on a timely basis as well as a review of these reconciliations, in order to identify potential misstatements and reconciling items. Significant accounts should be reconciled from a sub-ledger or other detail or support to the general ledger at least on a monthly basis. Any variances should also be reconciled on a periodic basis to ensure that these balances are fairly stated.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

**2022-005      Unrecorded Liabilities  
Significant Deficiency In Internal Control Over Financial Reporting**

*Criteria:* Current accounting standards require expenses be recorded in the period incurred, therefore proper cutoff is extremely critical in all aspects of accounting.

*Condition:* During our search for unrecorded liabilities, we noted exceptions in which invoices relating to services performed prior to and after the year-end date were not recorded in the proper period.

*Cause:* The deficiency was caused by a lack of oversight in review of invoices.

*Effect:* Accounts payable were not properly stated and an audit adjustment was made to accounts payable

*Auditor's Recommendation:* We recommend that management prepare written instructions to be included as a part of the Authority's accounting policies and procedures manual which indicates basic concepts of proper cutoffs for the individuals responsible for accruing payables at the accounting period end.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

**2022-006      Maintenance of Pledged Collateral  
Instance of Noncompliance**

*Criteria:* State law requires collateralization of all deposits in excess of federal depository insurance.

*Condition:* During the course of the audit, it was discovered that the Authority did not have in place adequate pledged collateral in place to secure bank balances exceeding Federal Depository Insurance limits.

*Cause:* The deficiency was caused by a lack of management oversight.

*Effect:* Cash balances which exceed FDIC limits would be at risk of loss in the event of a bank failure.

*Auditor's Recommendation:* We recommend that the Authority obtain proper pledged collateral with the Authority's custodial bank or implement additional controls to monitor balances held in unsecured accounts.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

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**Section III - Federal Award Findings and Questioned Costs**

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**2022-007      U.S. Department of Agriculture  
Federal Financial Assistance Listing #10.766  
Community Facilities Loans and Grants Cluster**

**Special Tests and Provisions**

**Material Weakness in Internal Control Over Compliance and Noncompliance Not Considered Material**

*Criteria:* Article IV of the Authority's Supplemental Bond Indenture agreement dated June 1, 2006, requires the Authority to establish a reserve fund. As approved by the USDA Community Programs Director, the Authority was required to make monthly deposits of \$1,350 into the reserve fund beginning in April 2021, until the fund reaches \$162,000.

*Condition:* The Authority did not deposit the required funds into the debt service fund until October 2021. In addition, the Authority's June 2022 payment was not received by the bank until July 11, 2022.

*Cause:* In May 2020, the Authority received approval from the United States Department Agriculture (USDA) to use debt reserve funds in response to the COVID Pandemic. The new management team was not aware of the arrangement with USDA and that deposits to the debt reserve funds were to commence in April 2021. In addition, the June 2022 reserve deposit was not submitted to the bank until July 2022 due to lack of management oversight.

*Effect:* The Authority's reserve account was not in compliance with the Supplemental Bond Indenture and program requirements until October 2021. Additionally, missing or late payments continued to result in noncompliance with program.

*Questioned Costs:* None reported.

*Context:* Sampling was not used.

*Repeat Finding from Prior Years:* No

*Recommendation:* The Authority needs to establish a monthly process to ensure the reserve deposit is made and posted by the bank on a timely basis. Additionally, the Authority should monitor to ensure the reserve fund has an adequate balance based on the requirements.

*Views of Responsible Officials:* Management agrees with the finding.

**2022-008      U.S. Department of Agriculture  
Federal Financial Assistance Listing #10.766  
Community Facilities Loans and Grants Cluster**

**Reporting**

**Significant Deficiency in Internal Control Over Compliance and Noncompliance Not Considered Material**

*Criteria:* Section 14 of the Letter of Conditions associated with the program requires the Authority to submit the annual audit within 150 days after year end of the fiscal year and the proposed operating budget and rate schedule for the upcoming fiscal year, 30 days prior to the end of the fiscal year.

*Condition:* The Authority did not file the annual financial audit within 150 days after the end of the fiscal year. Also, the Authority did not submit an operating budget and rate schedule 30 days prior to the beginning of the new fiscal year.

*Cause:* The Authority did not have any controls in place to ensure timely reporting with the USDA.

*Effect:* This resulted in the Authority being out of compliance with the Letter of Conditions.

*Questioned Costs:* None reported

*Repeat Finding from Prior Years:* No

*Context:* No sampling was performed.

*Recommendation:* It is recommended that the Authority establish controls to ensure timely reporting with the USDA based on the requirements outlined in the Letter of Conditions.

*Views of Responsible Officials:* We agree with the auditor's recommendation.