



Management's Discussion and Analysis and
Financial Statements
June 30, 2023

The Beaver County Hospital Authority

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Independent Auditor's Report

The Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

Opinion

We have audited the financial statements of The Beaver County Hospital Authority (Authority), a Component Unit of Beaver County, Oklahoma, as of and for the year then ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2023, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital 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.

Change in Reporting Entity

As discussed in Note 12 to the financial statements, there was a change in the reporting entity due to the removal of a blended component unit. Accordingly, a cumulative effect adjustment had been made to the Authority's net position as of July 1, 2022, for the change. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the required supplementary information on pages 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 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, 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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
January 12, 2024

Introduction

Our discussion and analysis for The Beaver County Hospital Authority (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Current assets increased in 2023 by \$236,110 or 5%.
- Deferred outflows of resources increased in 2023 by \$1,010,786 or 196%.
- Current liabilities decreased in 2023 by \$899,279 or 59%.
- Net pension obligations increased in 2023 by \$1,013,812 or 100%.
- The Authority's net position increased in 2023 by \$691,414 or 10%.
- The Authority reported an operating loss in 2023 of \$186,020 and an operating loss in 2022 of \$14,000. During 2023, the operating loss increased by \$172,020 or 1,229%.
- Nonoperating revenues decreased by \$368,193 or 30% in 2023.

Using This Annual Report

The Authority's financial statements consist of three statements – Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. These financial statements and related notes provide information about activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position - the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the Statement of Net Position. The Authority's net position increased by \$691,414 or 10% in 2023 as shown in Table 1.

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

	2023	2022
Assets		***
Current assets	\$ 4,607,082	\$ 4,370,972
Capital assets, net of accumulated depreciation	2,838,539	2,398,328
Other assets	112,878	3,084,689
Total assets	7,558,499	9,853,989
Deferred Outflows of Resources	1,525,992	515,206
Total assets and deferred outflows of resources	\$ 9,084,491	\$ 10,369,195
Liabilities		
Current liabilities	\$ 631,528	\$ 1,530,807
Net pension obligations	1,013,812	-
Total liabilities	1,645,340	1,530,807
Deferred Inflows of Resources	84,787	2,175,438
Net Position		
Net investment in capital assets	2,838,539	2,398,328
Restricted:		
Expendable for capital acquisitions	3,622	3,575
Unrestricted	4,512,203	4,261,047
Total net position	7,354,364	6,662,950
Total liabilities, deferred inflows of resources and net position	\$ 9,084,491	\$ 10,369,195

*** Beaver County Emergency Medical Services was removed from the reporting entity as of July 1, 2022 (see Note 12). It was also removed from the 2022 balances for comparability purposes.

A significant component of the change in the Authority's assets, liabilities, and net position are as follows:

- Cash and cash equivalents decreased \$565,979 or 30% in 2023 due to the Authority purchasing capital assets during the year.
- Patient and resident receivables decreased \$160,949 or 17% in 2023 due to an increase in collections.
- Capital assets increased \$440,211 or 18% in 2023 due to the purchase of capital assets.
- Estimated third-party payor settlements changed from a liability of \$514,197 in 2022 to an asset of \$1,015,754 in 2023 due to the Authority's relationship with SSM Healthcare of Oklahoma, Inc., the Authority is now able to claim home office cost.

Table 2: Operating Results and Changes in Net Position

	2023	2022

Operating Revenues		
Net patient service revenue	\$ 7,511,905	\$ 7,370,429
Community pharmacy revenue	1,949,010	1,441,263
Management services	445,959	-
Other operating revenue	526,775	371,068
Total operating revenue	10,433,649	9,182,760
Operating Expenses		
Salaries, wages, and employee benefits	5,413,576	4,518,420
Purchased services and professional fees	1,781,276	1,564,309
Supplies and other	3,027,901	2,879,155
Depreciation	396,916	234,876
Total operating expenses	10,619,669	9,196,760
Operating Loss	(186,020)	(14,000)
Nonoperating Revenues (Expenses)		
County appropriations - unrestricted	376,986	356,176
Investment income	30,310	30,975
Provider relief funds	371,243	207,891
County appropriations - restricted	49,762	46,273
Noncapital grants and contributions	49,133	270,814
Transfer from EMS	-	333,498
Nonoperating revenues, net	877,434	1,245,627
Change in Net Position	\$ 691,414	\$ 1,231,627

*** Beaver County Emergency Medical Services was removed from the reporting entity as of July 1, 2022 (see Note 12). It was also removed from the 2022 balances for comparability purposes.

Operating Results

The first component of the overall change in the Authority's net position is its operating results. Generally, the operating income or loss is the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Authority had operating losses in 2023 and 2022.

The operating loss for 2023 increased by \$172,020. The primary components of the change in operating loss are:

- An increase in patient and resident revenue, net of uncollectible accounts, of \$141,476 or 2% in 2023. In 2023, the increases are the result of an increase in services provided.
- An increase in management services revenue of \$445,959 due to the new management contract with Beaver County Emergency Medical Services formerly a blended component unit.
- An increase in community pharmacy revenue of \$507,747 or 35% in 2023. The changes in 2023 are attributed to fluctuations in prescription volumes.
- An increase in salaries, wages and employee benefits of \$895,156 or 20% in 2023. The changes are due to the changes in the retirement pension plan.
- An increase in purchased services and professional fees of \$216,967 or 14% in 2023. The changes are attributable to volume fluctuations.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of county appropriations and Provider Relief Funds and transfers from EMS District. The county appropriations increased by \$20,810 or 6% in 2023. The Provider Relief Funds increased by \$163,352 or 79% in 2023.

The Authority's Cash Flows

The Authority's overall liquidity decreased during the year with a net decrease to cash and cash equivalents, of \$565,979 when compared with 2022. Cash flows used for operating activities increased by \$1,732,813 during 2023 when compared with 2022. Cash from non-capital financing activities increased by \$1,038,985 compared with 2022 as a result of payments of Provider Relief Funds. Cash used for capital and capital related financing activities decreased by \$336,328 when compared with 2022. Cash from investing activities decreased by \$1,088,596 due to the maturity of certificate of deposits.

Capital Assets

The Authority had \$2,838,539 invested in capital assets at the end of 2023 and \$2,398,328 at the end of 2022, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The Authority purchased new capital assets totaling \$837,127 in 2023 and \$1,123,693 in 2022.

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 administration by calling 580-317-9500.

The Beaver County Hospital Authority
 Statements of Net Position
 June 30, 2023

Assets and Deferred Outflows of Resources

Current Assets

Cash and cash equivalents	\$ 1,345,381
Restricted cash and cash equivalents for capital acquisitions	3,622
Short-term certificates of deposit	936,913
Receivables	
Patient and resident, net of estimated uncollectibles of \$289,000	760,078
County appropriations	65,989
Estimated third-party payor settlements	1,015,754
Other	48,315
Supplies	388,296
Prepaid expenses and other	<u>42,734</u>
Total current assets	<u>4,607,082</u>

Capital Assets

Capital assets not being depreciated	52,731
Capital assets being depreciated, net	<u>2,785,808</u>
Total capital assets	<u>2,838,539</u>

Other Assets

	<u>112,878</u>
Total assets	<u>7,558,499</u>

Deferred Outflows of Resources - Retirement Pension Plan

	<u>1,525,992</u>
Total assets and deferred outflows of resources	<u><u>\$ 9,084,491</u></u>

The Beaver County Hospital Authority
Statements of Net Position
June 30, 2023

Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities

Accounts payable	\$ 318,675
Accrued expenses	<u>312,853</u>

Total current liabilities 631,528

Net Pension Obligations 1,013,812

Total liabilities 1,645,340

Deferred Inflows of Resources - Retirement Pension Plan 84,787

Net Position

Net investment in capital assets 2,838,539

Restricted:

Expendable for capital acquisition 3,622

Unrestricted 4,512,203

Total net position 7,354,364

Total liabilities, deferred inflows of resources,
and net position \$ 9,084,491

The Beaver County Hospital Authority
 Statements of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2023

Operating Revenues	
Net patient and resident service revenue, net of provision for bad debts of \$261,399	\$ 7,511,905
Community pharmacy revenue	1,949,010
Management services	445,959
Other revenue	526,775
Total operating revenues	10,433,649
Operating Expenses	
Salaries and wages	4,524,872
Employee benefits	888,704
Professional fees and purchased services	1,781,276
Supplies and other	3,027,901
Depreciation	396,916
Total operating expenses	10,619,669
Operating Loss	(186,020)
Nonoperating Revenues	
County appropriations - unrestricted	376,986
Investment income	30,310
Provider relief funds	371,243
Transfer from County	49,762
Noncapital grants and contributions	49,133
Nonoperating revenues	877,434
Change in Net Position	691,414
Net Position, Beginning of Year as Adjusted	6,662,950
Net Position, End of Year	\$ 7,354,364

The Beaver County Hospital Authority

Statements of Cash Flows

Year Ended June 30, 2023

Operating Activities	
Receipts from and on behalf of patients and residents	\$ 8,091,913
Payments to suppliers and contractors	(4,723,065)
Payments to and on behalf employees	(5,636,379)
Other receipts and payments, net	<u>972,734</u>
Net Cash used for Operating Activities	<u>(1,294,797)</u>
Noncapital Financing Activities	
Noncapital contributions and grants	49,133
Proceeds from county appropriations	<u>380,385</u>
Net Cash from Noncapital Financing Activities	<u>429,518</u>
Capital and Capital Related Financing Activity	
Grants and contributions	49,762
Purchase of capital assets	<u>(837,127)</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(787,365)</u>
Investing Activities	
Investment income	30,310
Maturity of certificates of deposit	<u>1,056,355</u>
Net Cash from Investing Activities	<u>1,086,665</u>
Net Change in Cash and Cash Equivalents	(565,979)
Cash and Cash Equivalents, Beginning of Year	<u>1,914,982</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,349,003</u></u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position	
Cash and cash equivalents	\$ 1,345,381
Restricted cash and cash equivalents for capital acquisitions	<u>3,622</u>
Total cash and cash equivalents	<u><u>\$ 1,349,003</u></u>

The Beaver County Hospital Authority

Statements of Cash Flows

Year Ended June 30, 2023

Reconciliation of Operating Loss to Net Cash	
used for Operating Activities	
Operating loss	\$ (186,020)
Adjustments to reconcile operating loss to net cash	
used for operating activities	
Depreciation on capital assets	396,916
Provision for bad debts	261,399
Changes in assets, liabilities, deferred inflows of resources	
and deferred outflows of resources	
Patient and resident receivables	(100,450)
Other receivables	(19,877)
Supplies	61,251
Prepaid expenses and other	24,518
Accounts payable	20,220
Accrued expenses	(34,059)
Estimated third-party payor settlements	(1,529,951)
Net pension and OPEB obligation	2,912,693
Deferred inflow of resources	(2,090,651)
Deferred outflow of resources	(1,010,786)
	<u>(1,010,786)</u>
Net Cash used for Operating Activities	<u>\$ (1,294,797)</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of The Beaver 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 1989, as a public trust under the provisions of Title 60 of the Oklahoma State Statutes for the benefit of the Town of Beaver, Beaver County, Oklahoma.

The Authority operates Beaver County Hospital (Hospital), Beaver County Nursing Home (Nursing Home), two rural health clinics and a Community Pharmacy. The Hospital, located in Beaver, Oklahoma, is a 24-bed general, short-term, Medicare-certified facility. The Nursing Home is a 62-bed residential living facility located in Beaver, Oklahoma. The two rural health clinics are located in Beaver and Turpin, Oklahoma and the Community Pharmacy is located in the hospital.

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.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

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

Nonexpendable - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority had no restricted, nonexpendable net position at June 30, 2023.

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 and investments. For purposes of the statement of cash flows, the Authority considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Restricted Cash

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

Short-Term Investments

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

Restricted Short-Term Investments

Restricted short-term investments include certificates of deposit that have restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position.

Investment Income

Interest on deposits are included in nonoperating revenues when earned.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patients, residents and third-party payor obligations. Patient and resident 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 and resident 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 and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents and third-party payors. Management reviews patient and resident 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 and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

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

Capital Assets

Property and equipment 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	5-15 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are reported after nonoperating activities. 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.

Impairment of Long-Lived Assets

The Authority considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the year ended June 30, 2023.

Noncurrent Investments and Investment Income

Noncurrent investments include certificates of deposit with an original maturity date greater than twelve months. Certificates of deposit are recorded at historical cost and interest income is reported as earned.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of unrecognized items not yet charged to pension and other postemployment benefits (OPEB) expense and contributions from the employer after the measurement date but before the end of the employer's reporting period related to the pension and OPEB plans. The Authority's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the plan.

Compensated Absences

The Authority's policies permit most employees to accumulate paid time off benefits up to a specified maximum, that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

The Authority participates in a cost-sharing multiple-employer defined benefit pension plan, the Oklahoma Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investments held by OPERS are reported at fair value by OPERS.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension and OPEB plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Authority's participation in the OPERS plan. The Authority's deferred inflows of resources related to pensions and OPEB are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the plan.

Operating Revenues and Expenses

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

Net Patient and Resident 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 and resident service revenue is reported at the estimated net realizable amounts from patients, residents, 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.

Community Pharmacy Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established charges. Payment arrangements include reimbursed costs and discounted charges. Community pharmacy revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others.

Charity Care

The Authority provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately \$29,000 for the year ended June 30, 2023, calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients.

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 nonoperating revenues.

County Appropriations

The citizens of the County approved a 1% sales tax with an expiration date of April 14, 2024, to provide unrestricted appropriations to the Authority. The County collects the sales tax and remits it monthly to the Authority. Revenue from county appropriations is recognized in the year in which the sales tax is received. The Authority received approximately 3% of its financial support from county appropriations related to sales taxes during the year ended June 30, 2023.

Implementation of GASB Statement No. 96

As of July 1, 2022, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding liability.

The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. As of June 30, 2023, and 2022, the Authority did not have any SBITAs which were required to be recognized under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*.

Note 2 - Net Patient and Resident 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:

Hospital

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital'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: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge or established fee schedules.

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

Nursing Home

Medicare: Inpatient skilled care rendered to Medicare program beneficiaries are paid at prospectively determined rates.

Medicaid: Medicaid services are paid at prospectively determined rates.

Other carriers: The Nursing Home has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Nursing Home under these agreements includes prospectively determined rates and discounts from established charges.

The Nursing Home recognizes resident service revenue associated with uninsured residents on the basis of its standard rates for services provided.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital, Nursing Home, and clinic’s patient and resident service revenues for the year ended June 30, 2023:

Medicare	35%
Medicaid	29%
Other third-party payors	21%
Self pay and other	15%
	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended June 30, 2023, increased approximately \$276,000, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations and changes in estimated settlements.

Note 3 - Provider Relief Funds

The Authority received \$-0- 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, 2023. The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses and lost revenues varying based on the date the Authority received the funds. Unspent funds will be expected to be repaid.

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

During the year ended June 30, 2023, the Authority recognized \$326,796 as revenue included as nonoperating revenues on the statements of revenues, expenses and changes in net position.

Note 4 - Deposits

The following statement of net position captions are considered deposits:

Cash and cash equivalents	\$ 1,345,381
Restricted cash and cash equivalents for capital acquisitions	3,622
Short-term certificates of deposit	<u>936,913</u>
	<u><u>\$ 2,285,916</u></u>

Deposits – Custodial Credit Risk

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

The Authority's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by collateral held by the Authority's custodial bank in the Authority's name.

Note 5 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2023 are as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated				
Land	<u>\$ 52,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,731</u>
Capital assets being depreciated				
Land improvements	\$ 23,180	\$ -	\$ -	\$ 23,180
Building and improvements	3,200,327	400,666	-	3,600,993
Equipment	<u>4,759,463</u>	<u>436,461</u>	<u>-</u>	<u>5,195,924</u>
Total capital assets being depreciated	<u>7,982,970</u>	<u>\$ 837,127</u>	<u>\$ -</u>	<u>8,820,097</u>
Less accumulated depreciation for				
Land improvements	(16,244)	\$ -	\$ -	(16,244)
Building and improvements	(1,752,211)	(98,127)	-	(1,850,338)
Equipment	<u>(3,868,918)</u>	<u>(298,789)</u>	<u>-</u>	<u>(4,167,707)</u>
Total accumulated depreciation	<u>(5,637,373)</u>	<u>\$ (396,916)</u>	<u>\$ -</u>	<u>(6,034,289)</u>
Net capital assets being depreciated	<u>\$ 2,345,597</u>			<u>\$ 2,785,808</u>
Capital assets, net	<u>\$ 2,398,328</u>			<u>\$ 2,838,539</u>

Note 6 - Retirement Pension Plan**Plan Description**

The Authority contributes to OPERS, a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. OPERS is administered by a board of trustees appointed by state statute. Benefit provisions are contained in the plan document and were established and can be amended by action of OPERS' governing body.

Benefits Provided

In general, OPERS provides retirement, disability and death benefits to plan members and their beneficiaries based on members' final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. OPERS' benefits are established and amended by state statute. Retirement provisions are as follows:

Hired Prior to November 1, 2011 – Normal retirement is attained upon completing one of the following: Age of 62 with six years of credited service; 80 points or the sum of age and years of service if the employee was hired before July 1, 1992; 90 points or the sum of age and years of service if the employee was hired after July 1, 1992. Retirement benefits for employees are calculated as the average compensation during the highest three years of the last 10 years of service.

Hired After November 1, 2011 – Normal retirement is attained upon completing one of the following: Age of 65 with six years of credited service or 90 points or the sum of age and years of service with a minimum age of 60. Retirement benefits for employees are calculated as the average compensation during the highest five years of the last 10 years of service. Retirement benefits for employees are calculated as 2% of the employee's final average salary multiplied by the employee's credited years of service.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Disability retirement benefits are determined in the same manner as retirement benefits and require a minimum of eight years of service and that the member qualifies for disability under the Social Security Administration or Railroad Retirement Board.

Contributions

The authority to set and amend contribution rates is established by ordinance for OPERS' defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. Contributions for participating county and local agencies are required by statute to total 20% for employees and employers as of June 30, 2023. For the years ended June 30, 2023, the Authority contributed 11.5% and employees contributed 8.5% of eligible compensation. For the years ended June 30, 2023, contributions to the pension plan from the Authority were \$371,627. For the years ended June 30, 2023, contributions to the pension plan from employees were approximately \$287,000.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Authority reported a liability of 1,013,812, for its proportionate share of the net pension asset/liability. The net pension asset/liability as of June 30, 2023, was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Authority’s proportion of the net pension liability was based on the Authority’s actual contributions to the pension plan during the measurement period relative to the actual contributions of all participating employers. At June 30, 2022, the Authority’s proportion was 0.12061079%.

For the years ended June 30, 2023, the Authority recognized pension offset of \$229,105, included in employee benefits on the statements of revenues, expenses and changes in net position. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 46,482
Change in proportion	(7,480)	16,696
Change in assumptions	1,064,124	-
Contributions made since measurement date	<u>371,627</u>	<u>-</u>
Total	<u>\$ 1,428,271</u>	<u>\$ 63,178</u>

At June 30, 2023, the Authority reported \$371,627, as deferred outflows of resources related to OPERS resulting from the Authority’s contributions subsequent to the measurement date that will be recognized as an addition to the net pension asset or a reduction of the net pension liability in the subsequent year. The remaining amounts in deferred inflows and outflows are related to OPEB plan.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPERS at June 30, 2023, will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Total</u>
2024	\$ 428,605
2025	434,498
2026	<u>130,362</u>
	<u>\$ 993,465</u>

Actuarial Assumptions

The total pension liability in the June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurements:

	<u>2022</u>	<u>2021</u>
Inflation	2.50%	2.50%
Salary increase	3.25% - 9.25%	3.25% - 9.25%
Investment rate of return	6.50%	6.50%
Actuarial cost method	Entry age normal	Entry age normal

In 2022 and 2021, mortality rates were based on the Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study dated May 13, 2020, for the three-year period from July 1, 2016 to June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major class, as used in the June 30, 2019 experience study, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap equity	34.0%	4.7%
U.S. small cap equity	6.0%	5.8%
Int's developed equity	23.0%	6.5%
Emerging market equity	5.0%	8.5%
Core fixed income	25.0%	0.5%
Long term treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%

Discount Rate

The discount rate used to measure the total pension liability was 6.50%, net of investment expenses, for the year ended June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Pension Liability Sensitivity

The following presents the Authority’s proportionate share of the net pension liability for the OPERS plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Authority’s proportionate share of the net pension liability (asset)	<u>\$ 2,484,858</u>	<u>\$ 1,013,812</u>	<u>\$ (230,267)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report.

Payable to the Pension Plan

At June 30, 2023, the Authority reported a payable of approximately \$57,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2023, which was included in accounts payable on the accompanying statements of net position.

Note 7 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at June 30, 2023 was as follows:

Medicare	23%
Medicaid	14%
Commercial insurance	33%
Other third-party payors and patients	<u>30%</u>
	<u>100%</u>

Note 8 - Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds for the state of Oklahoma from federal sources. The SHOPP is currently set to sunset on December 31, 2025. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. As a critical access hospital, the Authority is exempt from the assessment 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 Authority.

The Authority received \$185,945, in SHOPP payments included in net patient service revenue, for the year ended June 30, 2023. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

SHOPP is expected to be significantly reduced in fiscal year 2024 due to the State of Oklahoma's shift to managed care Medicaid. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

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.

Litigation, 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 and resident services.

Note 10 - Emergency Medical Services Contract

The Authority has a one-year contract with Beaver County Emergency Medical Services (EMS) Board of Trustees to operate ambulance services to the County’s residence. The EMS Board of Trustees transfers property tax revenues received to the Hospital as compensation for the services provided under the EMS contract. The contract may be renewed annually upon mutual consent of both parties. The Authority recognized revenue of \$445,959, included in operating revenue, for services rendered under the contract for the year ended June 30, 2023.

Note 11 - Management Agreement

Effective July 1, 2020, the Authority’s board entered into a management contract with SSM Healthcare of Oklahoma, Inc. (SSM). The contract is for a two-year term. The Authority is to pay 2.75% of net patient service revenue reported on the most recently filed cost report payable in twelve equal monthly installments. The Authority paid SSM \$629,742 for software costs, management fees and other professional services in the years ended June 30, 2023. As of June 30, 2023, the Authority owes SSM \$49,754 for software costs, management fees and other professional services.

Note 12 - Change in Reporting Entity

The EMS was previously included as a blended component unit. The EMS is no longer considered a blended component as the Authority’s board is no longer in control. See Note 10 for management agreement between the Authority and EMS. A cumulative effect adjustment was made to net position for the elimination of the EMS’ net position at July 1, 2022 as follows:

Net position at July 1, 2022	\$ 6,879,140
Elimination of net position attributed to the EMS	<u>(216,190)</u>
Adjusted net position at July 1, 2022	<u><u>\$ 6,662,950</u></u>



Required Supplementary Information
June 30, 2023

The Beaver County Hospital Authority

The Beaver County Hospital Authority
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability (Unaudited)
 Oklahoma Public Employees Retirement System Plan

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	12.06100%	13.59600%	0.14129%	0.12932%	0.14023%	0.13290%	0.09109%	0.11721%	0.14655%
Authority's proportionate share of the net pension liability (asset)	\$ 1,013,812	\$ (1,824,834)	\$ 1,260,562	\$ 172,239	\$ 273,499	\$ 718,529	\$ 903,790	\$ 421,572	\$ 269,000
Authority's covered-employee payroll	\$ 3,040,965	\$ 3,252,374	\$ 3,176,043	\$ 3,052,139	\$ 3,160,417	\$ 3,298,696	\$ 3,065,209	\$ 3,769,704	\$ 3,518,838
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.34%	-56.11%	39.69%	5.64%	8.65%	21.78%	29.49%	11.18%	7.64%
Plan fiduciary net position as a percentage of the total pension liability	92.24%	112.51%	91.59%	98.63%	97.96%	94.28%	89.48%	96.00%	97.90%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Information in the schedule has been determined as of the measurement date (the June 30 twelve months immediately preceding the Authority's most recent fiscal year-end) of the collective net pension liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68.

The Beaver County Hospital Authority
 Required Supplementary Information
 Schedule of the Authority's Contributions (Unaudited)
 Oklahoma Public Employees Retirement System Plan

Schedule of the Authority's Contributions

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 371,627	\$ 349,711	\$ 374,023	\$ 365,245	\$ 350,996	\$ 363,448	\$ 379,350	\$ 352,499	\$ 433,516
Contributions in relation to the statutorily required contribution	<u>371,627</u>	<u>349,711</u>	<u>374,023</u>	<u>365,245</u>	<u>350,996</u>	<u>363,448</u>	<u>379,350</u>	<u>352,499</u>	<u>433,516</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 3,231,539	\$ 3,040,965	\$ 3,252,374	\$ 3,176,043	\$ 3,052,139	\$ 3,160,417	\$ 3,298,696	\$ 3,065,209	\$ 3,769,704
Contributions as a percentage of covered-employee payroll	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Information in this schedule has been determined as of the Authority's most recent fiscal year-end in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68.



Supplementary Information
June 30, 2023

The Beaver County Hospital Authority



Independent Auditor's Report on Supplementary Information

The Board of Trustees
The Beaver County Hospital Authority
Beaver, Oklahoma

We have audited the financial statements of The Beaver County Hospital Authority as of and for the year ended June 30, 2023 and our report thereon dated January 12, 2024, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was 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 cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
January 12, 2024

The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
June 30, 2023

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 655,118	\$ 690,263	\$ -	\$ 1,345,381
Restricted cash and cash equivalents for capital acquisitions	-	3,622	-	3,622
Short-term certificates of deposit	936,913	-	-	936,913
Patient and resident receivables, net of estimated uncollectibles of \$289,000	626,870	133,208	-	760,078
Due from related parties	6,908	450	(7,358)	-
County appropriations	-	65,989	-	65,989
Other receivable	39,720	8,595	-	48,315
Estimated amounts due from third-party payors	1,015,754	-	-	1,015,754
Supplies	364,532	23,764	-	388,296
Prepaid expenses and other	42,734	-	-	42,734
Total current assets	<u>3,688,549</u>	<u>925,891</u>	<u>(7,358)</u>	<u>4,607,082</u>
Capital Assets				
Capital assets not being depreciated	40,731	12,000	-	52,731
Capital assets being depreciated, net	<u>2,284,308</u>	<u>501,500</u>	<u>-</u>	<u>2,785,808</u>
Total capital assets	<u>2,325,039</u>	<u>513,500</u>	<u>-</u>	<u>2,838,539</u>
Other Assets				
	<u>59,798</u>	<u>53,080</u>	<u>-</u>	<u>112,878</u>
Deferred Outflows of Resources				
	<u>808,776</u>	<u>717,216</u>	<u>-</u>	<u>1,525,992</u>
Total assets and deferred outflows of resources	<u>\$ 6,882,162</u>	<u>\$ 2,209,687</u>	<u>\$ (7,358)</u>	<u>\$ 9,084,491</u>

The Beaver County Hospital Authority
Combining Schedule – Statement of Net Position Information
June 30, 2023

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts payable	\$ 215,817	\$ 102,858	\$ -	\$ 318,675
Due to related parties	2,366	4,992	(7,358)	-
Accrued expense	174,454	138,399	-	312,853
Total current liabilities	<u>392,637</u>	<u>246,249</u>	<u>(7,358)</u>	<u>631,528</u>
Net Pension Obligations	<u>537,700</u>	<u>476,112</u>	<u>-</u>	<u>1,013,812</u>
Total liabilities	<u>930,337</u>	<u>722,361</u>	<u>(7,358)</u>	<u>1,645,340</u>
Deferred Inflows of Resources	<u>44,939</u>	<u>39,848</u>	<u>-</u>	<u>84,787</u>
Net Position				
Net investment in capital assets	2,325,039	513,500	-	2,838,539
Restricted - expendable for				
Capital acquisitions	-	3,622	-	3,622
Unrestricted	<u>3,581,847</u>	<u>930,356</u>	<u>-</u>	<u>4,512,203</u>
Total net position	<u>5,906,886</u>	<u>1,447,478</u>	<u>-</u>	<u>7,354,364</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,882,162</u>	<u>\$ 2,209,687</u>	<u>\$ (7,358)</u>	<u>\$ 9,084,491</u>

The Beaver County Hospital Authority
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended June 30, 2023

	Beaver County Memorial Hospital	Beaver County Nursing Home	Eliminations	The Beaver County Hospital Authority
Operating revenues				
Net patient and resident service revenue, net of provision for bad debts of \$261,399	\$ 4,872,949	\$ 2,638,956	\$ -	\$ 7,511,905
Community pharmacy revenue	1,949,010	-	-	1,949,010
Management services	445,959	-	-	445,959
Other	16,557	534,318	(24,100)	526,775
Total operating revenues	7,284,475	3,173,274	(24,100)	10,433,649
Operating Expenses				
Salaries and wages	2,836,483	1,688,389	-	4,524,872
Employee benefits	499,439	389,265	-	888,704
Purchased services and professional fees	1,493,036	288,240	-	1,781,276
Supplies and other	2,271,441	780,560	(24,100)	3,027,901
Depreciation	330,255	66,661	-	396,916
Total operating expenses	7,430,654	3,213,115	(24,100)	10,619,669
Operating Income (Loss)	(146,179)	(39,841)	-	(186,020)
Nonoperating Revenues (Expenses)				
County appropriations - unrestricted	-	376,986	-	376,986
Investment income	27,354	2,956	-	30,310
Provider relief funds	326,796	44,447	-	371,243
Transfer from County	49,762	-	-	49,762
Noncapital grants and gifts	45,728	3,405	-	49,133
Total nonoperating revenues	449,640	427,794	-	877,434
Revenues in Excess of Expenses and Change in Net Position	303,461	387,953	-	691,414
Net Position, Beginning of Year	5,603,425	1,059,525	-	6,662,950
Net Position, End of Year	\$ 5,906,886	\$ 1,447,478	\$ -	\$ 7,354,364



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

The Board of Trustees
The Beaver County Hospital Authority
Beaver, 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 (*Government Auditing Standards*), the financial statements of The Beaver County Hospital Authority (Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated January 12, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2023-001 through 2023-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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*.

Authority's Response to Findings

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

Purpose of this Report

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

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

Oklahoma City, Oklahoma
January 12, 2024

Findings – Financial Statements Audit – Internal Controls over Financial Reporting

Material Weaknesses

2023-001 Segregation of Duties

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

Condition: During the course of our engagement, we noted that the Authority (Beaver County Nursing Home) has limited staff completing incompatible accounting functions due to the size of the entity. The Nursing Home Business Office Manager prepares journal entries and also has access to assets and reconciling responsibilities. There is no review of journal entries prepared by the Business Office Manager.

Cause: A limited number of office personnel prevent a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Effect: Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Auditor's Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Authority should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Authority should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Views of Responsible Officials: Management agrees with the finding and has reviewed the operating procedures of the Authority. Due to the limited number of office employees, management will continue to monitor the Authority's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

2023-002 Preparation of Financial Statements

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by 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).

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 required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. As auditors, we cannot be considered part of the internal control system.

Cause: This weakness is due to the limited resources in the financial reporting process due to budgetary constraints.

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

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: Given the staffing levels of the Authority, we do not think it would be cost-effective to fully cure this deficiency at this time. In addition, given the complex and constantly changing nature of financial reporting requirements, we believe that better results can be achieved by continuing to rely on the expertise of our outside auditors regarding these matters.

2023-003 Material Audit Entries

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

Condition: During the course of our engagement, we proposed material audit adjustments to the financial statements that would not have been identified as a result of the Authority's existing internal controls, and therefore, could have resulted in material misstatement of the Authority's financial statements. The adjustments relate to deferred inflows/outflows of resources, pension liabilities, and third-party payor settlements.

Cause: There was no control in place to estimate the amounts of cost report settlements or pension liability.

Effect: Material audit adjustments were made to deferred inflows/outflows of resources, pension liabilities, accounts receivable and Medicare cost report settlements.

Auditor's Recommendation: It is recommended the Hospital implement a system that provides adequate controls over estimating cost report settlements and pension liabilities, and establish a review process to detect posting errors.

Views of Responsible Officials: Management will continue to rely on the auditor to make the necessary adjustments.