



Management's Discussion and Analysis  
and Financial Statements  
June 30, 2023 and 2022

# Choctaw County - City of Hugo Hospital Authority

Choctaw County – City of Hugo Hospital Authority

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June 30, 2023 and 2022

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## Independent Auditor's Report

To the Board of Trustees  
Choctaw County – City of Hugo Hospital Authority  
Hugo, Oklahoma

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Choctaw County – City of Hugo Hospital Authority (Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 2022, 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* 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.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma  
February 27, 2024

## **Introduction**

Our discussion and analysis for Choctaw County – City of Hugo Hospital Authority (Authority) financial performance provides an overview of the Authority’s financial activities for the fiscal years ended June 30, 2023, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Authority which begin on page 9.

## **Financial Highlights**

Total assets decreased in 2023 by \$541,738 or 3% and increased in 2022 by \$1,488,185 or 8%.

Total liabilities decreased in 2023 by \$132,714 or 11% and decreased in 2022 by \$2,950,292 or 71%.

The Authority’s net position decreased in 2023 by \$409,024 or 2% and increased in 2022 by \$4,438,477 or 29%.

The Authority reported an operating loss in 2023 of \$1,923,032, an operating loss in 2022 of \$731,996 and an operating loss in 2021 of \$1,540,744. During 2023, the operating loss increased by \$1,191,036 or 163%, and the operating loss decreased by \$808,748 or 52% during 2022.

Operating expenses decreased in 2023 by \$471,705 or 4% and increased by \$444,476 or 4% in 2022.

## **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 and liabilities 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 and liabilities - as one way to measure the Authority’s financial health, or financial position. Over time, increases or decreases in the Authority’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority’s patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

### The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. 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 and liabilities reported in the Statement of Net Position. The Authority’s net position decreased by \$409,024 or 2% in 2023 and increased by \$4,438,477 or 29% in 2022 as shown below.

	<u>2023</u>	<u>2022</u>	<u>2021</u> (***)
Assets			
Current assets	\$ 15,587,053	\$ 16,873,977	\$ 16,287,313
Capital assets, net	<u>4,769,136</u>	<u>4,023,950</u>	<u>3,122,429</u>
Total assets	<u>\$ 20,356,189</u>	<u>\$ 20,897,927</u>	<u>\$ 19,409,742</u>
Liabilities			
Current liabilities	\$ 1,034,215	\$ 1,159,786	\$ 4,129,764
Right to use lease liabilities net of current portion	<u>21,528</u>	<u>28,671</u>	<u>8,985</u>
Total liabilities	<u>1,055,743</u>	<u>1,188,457</u>	<u>4,138,749</u>
Net Position			
Net investment in capital assets	4,473,768	3,551,197	2,478,296
Restricted, expendable for debt service	266,697	428,349	586,623
Unrestricted	<u>14,559,981</u>	<u>15,729,924</u>	<u>12,206,074</u>
Total net position	<u>19,300,446</u>	<u>19,709,470</u>	<u>15,270,993</u>
Total liabilities and net position	<u>\$ 20,356,189</u>	<u>\$ 20,897,927</u>	<u>\$ 19,409,742</u>

\*\*\* Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* was adopted on July 1, 2022. Management elected not to restate the Management’s Discussion and Analysis for the year ended June 30, 2021.

### Assets, Liabilities, and Net Position

The Authority's assets, liabilities and net position were impacted by declining volumes and ending of government relief programs in the post pandemic environment.

- Cash and cash equivalents decreased in 2023 by \$4,250,994 or 83% primarily due to the purchase of certificates of deposit and cash used for operations. Cash and cash equivalents increased in 2022 by \$492,669 or 11%.
- Patient receivables decreased in 2023 by \$129,576 or 16% and decreased in 2022 by \$290,896 or 27%. The decrease for the year ended June 30, 2023, is attributable to volume decreases in the third and fourth quarter.
- Accounts payable decreased in 2023 by \$61,592 or 22% due to timing and decreased volumes. Payables increased in 2022 by \$64,638 or 30%.

### Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u> (***)
Operating Revenues			
Net patient service revenue	\$ 8,509,796	\$ 10,179,704	\$ 8,927,071
Other revenue	60,796	53,629	53,038
	<u>8,570,592</u>	<u>10,233,333</u>	<u>8,980,109</u>
Operating Expenses			
Salaries, wages, and employee benefits	5,667,021	5,758,862	5,651,409
Supplies and other	4,292,655	4,699,257	4,392,997
Depreciation and amortization	533,948	507,210	476,447
	<u>10,493,624</u>	<u>10,965,329</u>	<u>10,520,853</u>
Operating Loss	<u>(1,923,032)</u>	<u>(731,996)</u>	<u>(1,540,744)</u>
Nonoperating Revenues (Expenses)			
Sales tax income	1,298,816	1,191,651	1,125,621
Forgiveness of Paycheck Protection Program loan	-	-	1,191,077
Investment income	196,244	89,279	93,412
Interest expense	(9,653)	(23,489)	(18,464)
Noncapital contributions and grants	28,497	35,384	116,605
Gain (loss) of disposal of capital assets	104	-	(615)
Provider Relief Funds	-	3,877,648	4,524,581
	<u>1,514,008</u>	<u>5,170,473</u>	<u>7,032,217</u>
Change in Net Position	<u>\$ (409,024)</u>	<u>\$ 4,438,477</u>	<u>\$ 5,491,473</u>



\*\*\* Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* was adopted on July 1, 2022. Management elected not to restate the Management’s Discussion and Analysis for the year ended June 30, 2021.

### **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 revenues and the expenses incurred to perform those services. The Authority had operating losses in 2023, 2022, and 2021. The operating loss for 2023 increased by \$1,191,036 as compared to the decrease of \$808,748 in 2022. The primary components of the change in operating loss are:

- Net patient service revenue for 2023 decreased \$1,669,908 from 2022 due to decreased volumes. Net patient service revenue for 2022 increased \$1,252,633 from 2021.
- Operating expense for 2023 decreased \$471,705 from 2022 primarily due to decreased volumes. Operating expenses for 2022 increased \$444,476 from 2021.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of county sales tax, interest income, interest expense and Provider Relief Funds. The sales tax increased by \$107,165 or 9% in 2023 and increased by \$66,030 or 6% in 2022. In 2021, the Authority received forgiveness of the Paycheck Protection Program loan and recognized \$1,191,077 as nonoperating revenue. In addition, as a result of the COVID-19 pandemic, at the beginning of the June 30, 2022 fiscal year the Authority had unspent provider relief funds of \$2,852,697, during the year ended June 30, 2022 the Authority received an additional \$1,024,951 in Provider Relief Funds, the Authority met the requirements of the Provider Relief Funds Program and recognized \$3,877,648 as nonoperating revenue for the year ended June 30, 2022.

### **The Authority’s Cash Flows**

The Authority’s overall liquidity decreased during 2023 with a net decrease to cash and cash equivalents of \$4,250,994 and increased during 2022 by \$492,669. Cash from operating activities decreased in 2023 by \$1,170,247 or 949% and increased in 2022 by \$987,748 or 114%. The decrease in cash from operating activities in 2023 was primarily due to the decrease in net patient service revenue. Cash from noncapital financing activities decreased in 2023 by \$655,870 or 34% attributable to a decrease in Provider Relief Funds received and decreased in 2022 by \$4,074,850 or 68%. Cash used for capital and capital related financing activities decreased in 2023 by \$137,532 or 9% primarily due to a decrease in the purchase of capital assets and increased in 2022 by \$402,097 or 33%. Cash from investing activities decreased in 2023 by \$3,055,078 and increased in 2022 by \$6,010,485 primarily due to the purchase of certificates of deposit.

### **Capital Assets and Right to Use Leased Assets**

The Authority had \$4,769,136 invested in capital assets at the end of 2023 and \$4,023,950 at the end of 2022, net of accumulated depreciation and amortization, as detailed in Note 5 to the financial statements. The Authority purchased new capital assets totaling \$1,286,030 in 2023 and \$1,371,177 in 2022.

**Note Payable and Right to Use Lease Liabilities**

The Authority had \$295,368 outstanding debt and right to use obligations at the end of 2023 and \$472,753 at the end of 2022, as detailed in Notes 6 and 7 to the financial statements. The Authority made principal payments of \$177,385 in 2023 and \$208,934 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.

Choctaw County – City of Hugo Hospital Authority

Statements of Net Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 896,506	\$ 5,147,500
Internally designated cash for scholarships	34,551	33,583
Short-term investments - certificates of deposit	10,739,166	7,369,608
Short-term investments - internally designated for specific operating purposes	1,573,668	1,570,817
Short-term investments - restricted by bank for debt service	266,697	428,349
Receivables		
Patient, net of estimated uncollectibles of \$1,221,000 in 2023 and \$1,905,000 in 2022	668,744	798,320
Estimated third-party payor settlements	-	106,225
Sales tax	994,716	944,919
Supplies	349,426	426,580
Prepaid expenses and other	63,579	48,076
Total current assets	15,587,053	16,873,977
Capital Assets		
Capital assets not being depreciated	243,360	487,483
Capital assets being depreciated, net	4,498,997	3,492,433
Right to use leased assets, net of accumulated amortization	26,779	44,034
Total capital assets	4,769,136	4,023,950
Total assets	\$ 20,356,189	\$ 20,897,927

Choctaw County – City of Hugo Hospital Authority

Statements of Net Position

June 30, 2023 and 2022

	2023	2022
Liabilities and Net Position		
Current Liabilities		
Note payable	\$ 266,697	\$ 428,349
Current portion of right to use lease liabilities	7,143	15,733
Accounts payable		
Trade	219,648	281,240
Estimated third-party payor settlements	92,179	-
Accrued expenses	448,548	434,464
Total current liabilities	1,034,215	1,159,786
Long-Term Liabilities		
Right to use lease liabilities, net of current portion	21,528	28,671
Total liabilities	1,055,743	1,188,457
Net Position		
Net investment in capital assets	4,473,768	3,551,197
Restricted, expendable for debt service	266,697	428,349
Unrestricted	14,559,981	15,729,924
Total net position	19,300,446	19,709,470
Total liabilities and net position	\$ 20,356,189	\$ 20,897,927

Choctaw County – City of Hugo Hospital Authority  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue (net of provision for bad debts of \$2,304,655 in 2023 and \$4,006,786 in 2022)	\$ 8,509,796	\$ 10,179,704
Other revenue	60,796	53,629
Total operating revenues	8,570,592	10,233,333
Operating Expenses		
Salaries and wages	4,957,837	5,046,226
Employee benefits	709,184	712,636
Professional fees and purchased services	2,491,240	2,567,585
Supplies and other	1,801,415	2,131,672
Depreciation and amortization	533,948	507,210
Total operating expenses	10,493,624	10,965,329
Operating Loss	(1,923,032)	(731,996)
Nonoperating Revenues (Expenses)		
Sales tax income	1,298,816	1,191,651
Investment income	196,244	89,279
Interest expense	(9,653)	(23,489)
Noncapital contributions and grants	28,497	35,384
Gain on disposal of capital asset	104	-
Provider Relief Funds	-	3,877,648
Net nonoperating revenues	1,514,008	5,170,473
Change in Net Position	(409,024)	4,438,477
Net Position, Beginning of Year	19,709,470	15,270,993
Net Position, End of Year	\$ 19,300,446	\$ 19,709,470

## Choctaw County – City of Hugo Hospital Authority

Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 8,837,776	\$ 10,426,968
Payments to suppliers and contractors	(4,292,596)	(4,607,596)
Payments to and on behalf of employees	(5,652,937)	(5,749,715)
Other receipts and payments, net	60,796	53,629
<b>Net Cash from (used for) Operating Activities</b>	<b>(1,046,961)</b>	<b>123,286</b>
<b>Noncapital Financing Activities</b>		
Noncapital contributions and grants	28,497	35,384
Sales taxes received	1,249,019	873,051
Proceeds from Provider Relief Fund	-	1,024,951
<b>Net Cash from Noncapital Financing Activities</b>	<b>1,277,516</b>	<b>1,933,386</b>
<b>Capital and Capital Related Financing Activities</b>		
Principal payments on short-term note payable	(161,652)	(158,274)
Interest payments on short-term note payable	(7,460)	(13,539)
Principal payments on right to use lease liabilities	(15,733)	(50,660)
Interest paid on right to use lease liabilities	(2,193)	(9,950)
Proceeds from sale of equipment	7,000	-
Purchase of capital assets	(1,286,030)	(1,371,177)
<b>Net Cash used for Capital and Capital Related Financing Activities</b>	<b>(1,466,068)</b>	<b>(1,603,600)</b>
<b>Investing Activities</b>		
Investment income	196,244	90,786
Purchase of certificates of deposit	(3,038,622)	-
Reinvestment of earnings	(172,135)	(49,682)
<b>Net Cash from (used for) Investing Activities</b>	<b>(3,014,513)</b>	<b>41,104</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(4,250,026)</b>	<b>494,176</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>5,181,083</b>	<b>4,686,907</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 931,057</b>	<b>\$ 5,181,083</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and cash equivalents	\$ 896,506	\$ 5,147,500
Internally designated cash for scholarships	34,551	33,583
<b>Total Cash and Cash Equivalents</b>	<b>\$ 931,057</b>	<b>\$ 5,181,083</b>

## Choctaw County – City of Hugo Hospital Authority

Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash		
from (used for) Operating Activities		
Operating loss	\$ (1,923,032)	\$ (731,996)
Adjustments to reconcile operating loss to net cash		
from (used for) operating activities		
Depreciation and amortization	533,948	507,210
Provision for bad debts	2,304,655	4,006,786
Changes in assets and liabilities		
Patient receivables	(2,175,079)	(3,715,917)
Supplies	77,154	(72,950)
Prepaid expenses and other	(15,503)	99,973
Accounts payable	(61,592)	64,638
Accrued expenses	14,084	9,147
Estimated third-party payor settlements	198,404	(43,605)
Net Cash from (used for) Operating Activities	\$ (1,046,961)	\$ 123,286
Supplemental Disclosure of Noncash Capital and Capital Related		
Financing Activities		
Lease liability for acquisition of right to use leased assets	\$ -	\$ 37,554

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

The financial statements of the Choctaw County – City of Hugo 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 operates a 34-bed short-term acute care hospital located in Hugo, Oklahoma as Choctaw Memorial Hospital. The governing boards of Choctaw County and the City of Hugo appoint members to the Board of Trustees of the Authority on an alternating basis. The Board of Trustees exercises governing oversight responsibility for the Authority which includes such duties as budget review, care of patients, and management of the facilities as set forth by the ordinance of the City of Hugo.

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. The Authority does not have a component unit which meets the GASB criteria.

**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 and liabilities, with the difference reported as net position. Net position is reported in the following categories/components:

*Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations 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.

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

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

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

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

**Short-Term Investments**

Short-term investments include certificates of deposit with an original maturity of three to forty-eight months, excluding internally designated or restricted cash and investments. The certificates of deposit greater than twelve months are considered short-term as they can be redeemed at any time and the Authority considers them short-term because, if needed, they will not be held for the entire term. In addition, the penalties for withdrawal of the certificates of deposit are not considered significant.

**Restricted and Internally Designated Cash, Cash Equivalents and Investments**

Cash, cash equivalents and investments that have restrictions which change the nature or normal understanding of availability of the asset are reported separately on the statements of net position. Restricted cash and investments include funds that are restricted by a bank for debt service. Internally designated for specific operating purposes consist of certificates of deposit set aside by the Board of Trustees for future operating purposes, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Certificates of deposit are recorded at historical cost. Restricted and internally designated cash and investments that are available for obligations classified as current liabilities are reported in current assets, as well as those intended to be used for operations.

**Patient Receivables**

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid 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.

**Supplies**

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

**Investment Income**

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

**Capital Assets**

Property and equipment acquisitions in excess of \$1,500 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.

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 2 to 5 years.

The estimated useful lives of capital assets are as follows:

Land improvements	10-40 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 revenues (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 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 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, 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 considered in the recognition of revenue 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 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 \$2,000 and \$42,000 for the years ended June 30, 2023 and 2022, calculated by multiplying the ratio of cost to gross charges for the Authority 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 (expenses).

### **Sales Tax Revenue**

Effective April 1, 2009, the citizens of Choctaw County, Oklahoma, approved a 0.75% sales tax for furnishing, equipping, renovating and maintaining the Authority, including the payment of principal and interest on any indebtedness. The tax will continue until repealed by the voters. For the years ended June 30, 2023 and 2022, the Authority recorded approximately \$1,299,000 and \$1,192,000, or 13% and 10% of its revenue, from the tax appropriation. Revenue from tax appropriations is recognized in the year in which the sales taxes are earned.

### **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)*.

### **Reclassifications**

Reclassifications have been made to the June 30, 2022 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

**Note 2 - Net Patient Service Revenue**

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

Medicare: Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients’ acuity. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority’s Medicare cost reports have been audited by the MAC through the year ended June 30, 2020.

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

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

Concentration of gross revenues by major payor accounted for the following percentages of the Authority’s patient service revenues for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Medicare	34%	37%
Medicaid	27%	22%
Commercial and other payors	34%	30%
Self pay	5%	11%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The net patient service revenue for the years ended June 30, 2023 and 2022 increased approximately \$278,000 and \$69,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

**Note 3 - Provider Relief Funds**

The Authority received funds in prior years from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has deadlines for incurring eligible expenses and lost revenues, varying based on the date the 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 years ended June 30, 2023 and 2022, the Authority recognized \$0 and \$3,877,648 as revenue, included as nonoperating revenues on the statements of revenues, expenses and changes in net position.

**Note 4 - Deposits**

The carrying amounts of deposits consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Carrying Amount		
Cash and cash equivalents	\$ 931,057	\$ 5,181,083
Certificates of deposit	<u>12,579,531</u>	<u>9,368,774</u>
	<u>\$ 13,510,588</u>	<u>\$ 14,549,857</u>

Choctaw County – City of Hugo Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

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

	2023	2022
Cash and cash equivalents	\$ 896,506	\$ 5,147,500
Internally designated cash for scholarships	34,551	33,583
Short-term investments - certificates of deposit	10,739,166	7,369,608
Short-term investments - internally designated for specific operating purposes	1,573,668	1,570,817
Short-term investments restricted by bank for debt service	266,697	428,349
	\$ 13,510,588	\$ 14,549,857

**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 statutes authorize the Authority to invest its excess cash balances generally in time deposits, open accounts, certificates of deposit or certain repurchase agreements of commercial banks or trust companies, state or generally chartered savings and loan associations or generally chartered savings banks having offices in the state and in certain circumstances, specified United States Treasury obligations.

State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The Authority has a general investment policy to minimize custodial credit risk.

The Authority’s deposits in banks at June 30, 2023 and 2022 were entirely covered by federal depository insurance or by collateral held by the Authority’s custodial bank in the Authority’s name.

Choctaw County – City of Hugo Hospital Authority  
Notes to Financial Statements  
June 30, 2023 and 2022

**Note 5 - Capital Assets**

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

	Balance June 30, 2022	Additions	Transfers and Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 15,512	\$ -	\$ -	\$ 15,512
Construction in progress	471,971	1,186,238	(1,430,361)	227,848
Total capital assets not being depreciated	<u>\$ 487,483</u>	<u>\$ 1,186,238</u>	<u>\$ (1,430,361)</u>	<u>\$ 243,360</u>
Capital assets being depreciated				
Building and improvements	\$ 7,551,381	\$ 53,702	\$ 1,416,413	\$ 9,021,496
Equipment	5,815,460	46,090	(237,271)	5,624,279
Total capital assets being depreciated	<u>\$ 13,366,841</u>	<u>\$ 99,792</u>	<u>\$ 1,179,142</u>	<u>\$ 14,645,775</u>
Less accumulated depreciation for				
Building and improvements	\$ (4,757,311)	\$ (320,069)	\$ (104,934)	\$ (5,182,314)
Equipment	(5,117,097)	(196,624)	349,257	(4,964,464)
Total accumulated depreciation	<u>\$ (9,874,408)</u>	<u>\$ (516,693)</u>	<u>\$ 244,323</u>	<u>\$ (10,146,778)</u>
Net depreciable capital assets	<u>\$ 3,492,433</u>			<u>\$ 4,498,997</u>
Right-to-use leased assets being amortized				
Equipment	\$ 307,206	\$ -	\$ (269,652)	\$ 37,554
Accumulated amortization equipment	(263,172)	(17,255)	269,652	(10,775)
Net right-to-use leased assets	<u>\$ 44,034</u>	<u>\$ (17,255)</u>	<u>\$ -</u>	<u>\$ 26,779</u>
Capital assets, net	<u>\$ 4,023,950</u>			<u>\$ 4,769,136</u>

Construction in progress at June 30, 2023 represents an ER unit replacement project. The estimated cost to complete this project is \$11,992, with no additional construction commitments as of June 30, 2023, which will be financed with Authority funds and should be completed by August of 2023.



# Choctaw County – City of Hugo Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

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

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated				
Land	\$ 15,512	\$ -	\$ -	\$ 15,512
Construction in progress	<u>172,042</u>	<u>778,887</u>	<u>(478,958)</u>	<u>471,971</u>
Total capital assets not being depreciated	<u>\$ 187,554</u>	<u>\$ 778,887</u>	<u>\$ (478,958)</u>	<u>\$ 487,483</u>
Capital assets being depreciated				
Building and improvements	\$ 7,113,148	\$ 141,852	\$ 296,381	\$ 7,551,381
Equipment	<u>5,487,967</u>	<u>450,591</u>	<u>(123,098)</u>	<u>5,815,460</u>
Total capital assets being depreciated	<u>\$ 12,601,115</u>	<u>\$ 592,443</u>	<u>\$ 173,283</u>	<u>\$ 13,366,841</u>
Less accumulated depreciation for				
Building and improvements	\$ (4,570,109)	\$ (297,648)	\$ 110,446	\$ (4,757,311)
Equipment	<u>(5,142,489)</u>	<u>(169,684)</u>	<u>195,076</u>	<u>(5,117,097)</u>
Total accumulated depreciation	<u>\$ (9,712,598)</u>	<u>\$ (467,332)</u>	<u>\$ 103,646</u>	<u>\$ (9,874,408)</u>
Net depreciable capital assets	<u>\$ 2,888,517</u>			<u>\$ 3,492,433</u>
Right-to-use leased assets being amortized				
Equipment	\$ 654,063	\$ 37,554	\$ (384,411)	\$ 307,206
Accumulated amortization equipment	<u>(607,705)</u>	<u>(39,878)</u>	<u>384,411</u>	<u>(263,172)</u>
Net right-to-use leased assets	<u>\$ 46,358</u>	<u>\$ (2,324)</u>	<u>\$ -</u>	<u>\$ 44,034</u>
Capital assets, net	<u>\$ 3,122,429</u>			<u>\$ 4,023,950</u>

**Note 6 - Lease Obligations**

The Authority has entered into lease agreements for medical and office equipment. The Authority is required to make principal and interest payments through March 2027. The lease liabilities were valued using stated and discount rates between 2.21% and 6.00% based on the Authority’s incremental borrowing rate at the inception of the leases.

Right to use leased asset obligations additions, payments and balances for the year ended June 30, 2023 and 2022 are as follows:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Right to use asset obligations					
Liabilities for right to use equipment	\$ 44,404	\$ -	\$ (15,733)	\$ 28,671	\$ 7,143

  

	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Due Within One Year
Right to use asset obligations					
Liabilities for right to use equipment	\$ 57,510	\$ 37,554	\$ (50,660)	\$ 44,404	\$ 15,733

As of June 30, 2023, the value of the lease liability is \$28,671 and the leased assets are \$26,779 which consisted of the following right to use asset:

- Right to use office equipment with a lease liability of \$28,671. The Authority is required to make monthly principal and interest payments of \$722 through March 2027. The lease liability was valued using a discount rate of 6% based on the Authority’s incremental borrowing rate. The lease agreement contains a purchase option for fair market value.

Remaining principal and interest payments on leases are as follows:

Years Ending June 30,	Principal	Interest
2024	\$ 7,143	\$ 1,526
2025	7,584	1,085
2026	8,051	618
2027	5,893	139
<b>Total</b>	<b>\$ 28,671</b>	<b>\$ 3,368</b>

Choctaw County – City of Hugo Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

**Note 7 - Note Payable**

A schedule of changes in the Authority’s debt from direct borrowings at June 30, 2023 and 2022 consists of:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Short -term direct borrowing	\$ 428,349	\$ -	\$ (161,652)	\$ 266,697	\$ 266,697
	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Due Within One Year
Short -term direct borrowing	\$ 586,623	\$ -	\$ (158,274)	\$ 428,349	\$ 428,349

**Short-Term Direct Borrowing**

In March 2015, the Authority obtained a \$1,494,000 short-term note payable to a bank which includes interest at 2.1% and is due on demand. The note matures annually and was extended for an additional year in February 2023. If no demand is made, the note matures February 2024. The note is collateralized by one of the Authority’s certificates of deposit. Under an agreement with the bank, the Authority is making monthly payments on the note based on a 120-month amortization schedule.

**Note 8 - Concentrations of Credit Risk**

The Authority grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2023 and 2022 was as follows:

	2023	2022
Medicare	21%	20%
Medicaid	17%	10%
Other third-party payors and patients	36%	28%
Self-pay	26%	42%
	100%	100%

**Note 9 - Pension Plan**

The Authority has a defined contribution pension plan under which employees can become participants upon hiring. Employer contributions are made on a discretionary basis. The Authority did not make any contributions for the years ended June 30, 2023, 2022 and 2021.

**Note 10 - Supplemental Hospital Offset Payment Program**

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to the state of Oklahoma from federal sources. The SHOPP is currently scheduled to sunset on December 31, 2025, however, may be significantly reduced due to the State of Oklahoma’s expected shift to managed care Medicaid, which is expected in fiscal year 2024. In August 2023, the Authority received approximately \$219,000 as a result of a funding provision in Oklahoma Senate Bill 32x for hospitals participating in the SHOPP program. The SHOPP 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.

SHOPP revenue and assessment fees are recorded as part of net patient service revenue on the accompanying statements of revenues, expenses and changes in net position. The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds. The net SHOPP benefit consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
SHOPP funds revenue	\$ 832,985	\$ 874,621
SHOPP assessment fees expense	(274,536)	(212,462)
Net SHOPP benefit	\$ 558,449	\$ 662,159

**Note 11 - 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 with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

### **Note 12 - Subsequent Events**

The Authority has redeemed \$600,000 of certificates of deposit to utilize as support for operations and the board has approved the transfer from an additional certificates of deposit of approximately \$660,000 when the certificate of deposit matures in March 2024.

The Authority has evaluated subsequent events through February 27, 2024, the date which the financial statements were available to be issued.



**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  
Choctaw County – City of Hugo Hospital Authority  
Hugo, 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 Choctaw County – City of Hugo 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 February 27, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, professional style.

Oklahoma City, Oklahoma  
February 27, 2024