Management's Discussion and Analysis
and Financial Statements
December 31, 2023 and 2022

The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust Authority

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Trustees
The Cleveland Area Hospital Authority
d/b/a Cleveland Area Hospital Trust Authority
Cleveland, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust Authority (Authority), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023 and 2022, and the changes in financial position and 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 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.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the Authority has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements*, for the year ended December 31, 2022. Accordingly, a restatement has been made to the Authority's capital assets, long term liabilities and net position as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13 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 on April 29, 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 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.

Eide Bailly LLP

Oklahoma City, Oklahoma
April 29, 2024

Introduction

The discussion and analysis of the financial performance for The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust Authority (Authority) provides an overview of the Authority's financial activities and balances as of and for the fiscal years ended December 31, 2023, 2022 and 2021. The intent of this discussion and analysis is to provide further information on the Authority's performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the Authority's financial status.

Financial Highlights

- Total Operating Revenue increased in 2023 by $.5M or 2% after increasing in 2022 by $4.3M or 25%.
    - In 2022, The Authority increased full-time Providers in the Primary Care Clinic to 6, from a total of 4 in January of 2021. The increase in Primary Care patient volume drove a corresponding volume increase in both referred ancillary services and total operating revenue. Similarly, The Authority partnered with OSU-CHS to staff the Emergency Department with board-certified Emergency Medicine Physicians, replacing the employed Certified Family Medicine providers that had historically been practicing in the emergency department. This enhancement of our emergency department in September of 2023 led to increased emergency volumes and the ability to accept higher acuity visits, contributing to the increase in revenues.
- Total assets increased in 2023 by $2.4M or 14% after decreasing in 2022 by $2.6M or 13%.
    - In 2023, the increase in assets was primarily driven by the completion of 4K square feet addition to the primary care clinic and renovation of existing clinic space. Total asset value of the new construction and renovation was $3.0M. The $2.4M is net of a $.6M USDA Track One Grant awarded in 2021.
    - In 2022, the reduction in assets was due to the expenditure of the final rounds of PRF and American Rescue Plan Act Funds for qualified purchases including capital equipment throughout the year.
- Total liabilities decreased in 2023 by $1.3M or 16% after decreasing in 2022 by $6.0M or 42%
    - In 2023, the Authority settled approximately $.9M associated with its Community Works CERNER Contract and R1 RCM Assignment. The remainder of the decrease is due to a $.4M reduction in noncurrent liabilities without adding new debt as part of the Authority's anticipation of obtaining funding for a replacement facility to include surgical services.
    - In 2022, the Authority recognized $1.4M of PRF from the 2021 Refundable Advance Provider Relief Fund, in addition, $3.4M of CMS Advance Payments that were held as earmarked cash and recorded as a liability in 2021 were repaid to CMS in 2022 primarily drove the decrease in total liabilities.
- The Authority reported Revenues in Excess of Expenses of $3.8M in 2023 and $3.5M in 2022.
- The Authority's net position increased by $3.8M in 2023 and $3.5M in 2022. From 2015 to 2023, the Authority's net position has increased $14.4M.

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 the 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 because of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position reports information about the Authority resources and its activities in a way that helps answer this question. These Statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All 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 them. 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 in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, such as changes in the Authority's patient base and measures of the quality of services it provides 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. The 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 increased by $3.8M in 2023 and $3.5M in 2022 as shown below in Table 1.

Table 1: Assets, Liabilities and Net Position

	2023	2022 Restated	2021 ***
Assets			
Current assets	$ 8,852,823	$ 7,906,424	$ 10,632,877
Noncurrent cash equivalents	2,901,427	2,297,286	3,150,244
Capital assets, net	8,178,990	7,305,951	6,271,582
Rent receivable	-	-	49,216
Total assets	$ 19,933,240	$ 17,509,661	$ 20,103,919
Liabilities			
Current liabilities	$ 4,145,746	$ 5,017,807	$ 10,559,530
Noncurrent liabilities	2,692,903	3,127,586	3,567,579
Total liabilities	6,838,649	8,145,393	14,127,109
Deferred Inflow of Resources	-	49,216	189,488
Net Position			
Net investment in capital assets	5,192,988	3,527,639	2,320,703
Unrestricted	7,901,603	5,787,413	3,466,619
Total net position	13,094,591	9,315,052	5,787,322
Total liabilities, deferred inflow of resources and net position	$ 19,933,240	$ 17,509,661	$ 20,103,919

*** Management remeasured subscription-based information technology arrangements for the adoption of GASB 96 as of January 1 2022, management elected not to restate Management Discussion and Analysis for the year ended December 31, 2021.

Table 2: Operating Results and Changes in Net Position

	2023	2022 Restated	2021 ***
Operating Revenues			
Net patient service revenue	$ 22,054,846	$ 21,414,344	$ 17,143,143
Other operating revenue	100,423	212,667	217,041
Total operating revenue	22,155,269	21,627,011	17,360,184
Operating Expenses			
Salaries, wages, and employee benefits	15,185,294	13,701,313	11,581,168
Other	6,621,672	5,754,160	4,882,877
Depreciation and amortization	875,836	895,588	688,990
Total operating expenses	22,682,802	20,351,061	17,153,035
Operating Income (Loss)	(527,533)	1,275,950	207,149
Nonoperating Revenues (Expenses)			
City appropriations	719,060	699,603	662,332
Grants and contributions	589,079	366,868	31,263
Employee retention credit	3,206,226	-	-
Investment income	64,810	5,260	1,840
Interest expense	(263,420)	(243,382)	(282,059)
Provider Relief Funds	-	1,354,091	2,842,477
Gain on sale of assets	(8,683)	69,340	-
Forgiveness of Paycheck Protection Program loan	-	-	1,907,625
Nonoperating revenues, net	4,307,072	2,251,780	5,163,478
Revenues in Excess of Expenses and Change in Net Position	3,779,539	3,527,730	5,370,627
Net Position, Beginning of Year	9,315,052	5,787,322	416,695
Net Position, End of Year	$ 13,094,591	$ 9,315,052	$ 5,787,322

*** Management remeasured subscription-based information technology arrangements for the adoption of GASB 96 as of January 1 2022, management elected not to restate Management Discussion and Analysis for the year ended December 31, 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 operating revenues and the expenses incurred to perform those services. The Authority had an operating loss of $0.5M in 2023 versus income of $1.3M in 2022.

- The operating loss in 2023 is primarily driven by market penetration of Medicare Advantage Plans and their effect on cost reimbursement from Medicare via the annual cost report. In 2023 while average census was flat to 2022 with an average daily census of 5.7 overall Medicare Utilization for the organization decreased from 85% to 82% leading to a liability to Medicare of $0.4M.
- Another significant contributor to the operating loss for FY2023 is the recognition of $0.5M in contingent professional fees associated with the Employee Retention Credit (ERC) that are recognizable as operating expenses while the proceeds are recognized as non-operating income included in Employee Retention Credit in the amount of $3.2M.
- The 2022 operating income increase in patient volume was the driver of the 25% increase in total operating revenue and the $1.1M increase in operating income. The recruitment of 2 additional primary care providers has been the leading driver of this increase. Overall patient volume is expected to increase in 2024 and beyond as we add another full-time physician to the primary care clinic. In addition, we plan to implement specialty clinics through our partnership with OSU-CHS (OB/GYN, General Surgery, Cardiology, Orthopedic).
- Salaries, wages, and employee benefits increased $1.5M or 11% in 2023 after increasing to $2.1M or 18% in 2022. While the Authority strives to maintain a competitive and positive culture, management evaluated the system's pay rates and due to a nationwide shortage of healthcare workers, it moved rates to a more competitive position based on each employee's relevant experience and credentials. Therefore, the primary driver of the increase was a system-wide evaluation of pay rates and an increase in headcount. The Authority had a total of 207 employees at FYE 2022 and 220 at FYE 2023, a 6% increase. A tertiary driver making up 17% or $.5M of the increase was the increased cost of benefits associated with both inflation and the increased headcount.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include city appropriations, grants and contributions, interest expense, and recognition of Provider Relief funds and other government programs. Nonoperating revenues increased $2.1M or 91% in 2023 primarily due to the receipt of an ERC, described in Note 5, of $3.2M. Nonoperating revenues decreased by $2.9M or 56% in 2022, primarily due to the decrease in Provider Relief funds of $1.5M and Paycheck Protection Program forgiveness of $1.9M granted in 2021. City appropriations increased $20K or 3% in 2023 after increasing $37K or 6% in 2022, due to higher sales tax volume.

The Authority's Cash Flows

The Authority's overall liquidity increased during the year with a net increase to cash and cash equivalents of $2.2M in 2023. Cash flows from operations decreased $1.2M compared to the decrease of $1.4M in 2022. The lower increase in 2023 is driven primarily by the rising cost of labor to support operations and the $0.5M paid for work in connection with the receipt of the ERC. Cash from noncapital financing activities increased by $7.2M primarily comprised of $3.2M in funds received from the submission of the ERC. In 2022, the cash used for noncapital financing activities of $2.5M was due to repayment of CMS Advance Payments that were received in a prior year. Cash used for capital and capital related financing activities was consistent at $2.5M in 2023 compared to $2.3M in 2022. These cash outflows are being driven by necessary capital improvements to expand services and update equipment through the appropriate use of the PRF funds as well as operating cash flows.

Capital Assets

The Authority had capital assets net of accumulated depreciation and amortization of $8.2M and $7.3M at December 31, 2023 and 2022 as detailed in Note 6 to the financial statements. The Authority put in service new capital assets totaling $1.8M and $1.9M for the years ended December 31, 2023 and 2022. Approximately $2.4M of the transfer in 2023 relates to the construction and renovation in expanding and modernizing our RHC. There were no significant commitments for capital expenditures at December 31, 2023 and 2022.

Debt

The Authority had $3.2M and $3.7M in long term debt at December 31, 2023 and 2022. The Authority did not take on any new debt in 2023. Notes 7, 8, & 9 to the financial statements detail the changes and terms of the Authority's debt. With the adoption of GASB 87 & GASB 96 our breakdown of debt elements are summarized in the table below:

	Balance December 31, 2022	Additions	Payments	Balance December 31, 2023	Due Within One Year
Subscription IT Liabilities (Note 7)	$ 936,584	$ -	$ (167,512)	$ 769,072	$ 177,280
Right to Use Liabilities (Note 8)	444,992	-	(245,019)	199,973	180,487
Direct Borrowing (Note 9)	2,349,317	-	(140,367)	2,208,950	127,325
Total debt	$ 3,730,893	$ -	$ (552,898)	$ 3,177,995	$ 485,092

	Balance December 31, 2021	Additions	Forgiveness/ Payments	Balance December 31, 2022	Due Within One Year
Subscription IT Liabilities (Note 7)	$ -	$ 1,081,151	$ (144,567)	$ 936,584	$ 166,803
Right to Use Liabilities (Note 8)	706,871	25,429	(287,308)	444,992	245,641
Direct Borrowing (Note 9)	2,514,129	-	(164,812)	2,349,317	190,863
Total debt	$ 3,221,000	$ 1,106,580	$ (596,687)	$ 3,730,893	$ 603,307

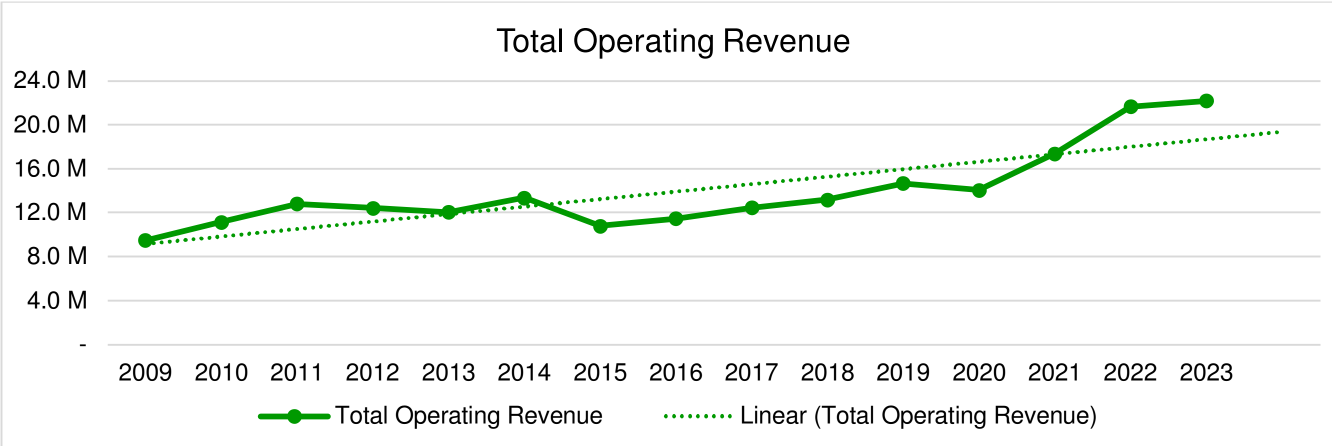
Historical Trends

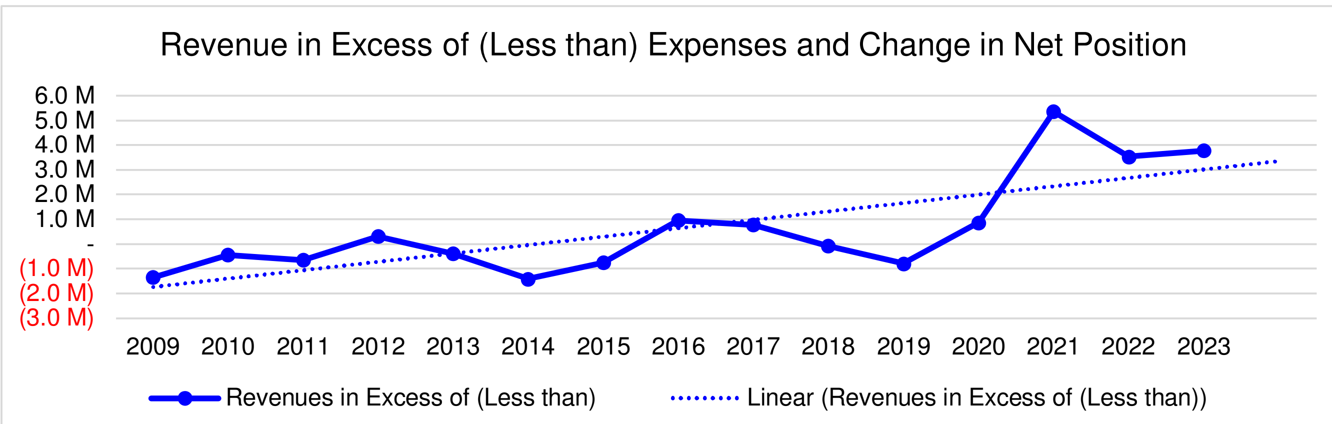
The tables below are the operating and revenue in excess of (less than) expenses and changes in net position.

	Audited														
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2022**
Total Operating Revenue	9.5 M	11.1 M	12.8 M	12.4 M	12.0 M	13.3 M	10.8 M	11.5 M	12.4 M	13.2 M	14.7 M	14.0 M	17.4 M	21.6 M	22.2 M
Total Operating Expense	11.3 M	11.9 M	13.6 M	12.1 M	12.7 M	15.2 M	11.8 M	11.1 M	12.0 M	13.5 M	15.6 M	15.8 M	17.1 M	20.4 M	22.7 M
Revenues in Excess of (Less than) Expenses and Change in Net Position	(1.3 M)	(0.4 M)	(0.7 M)	0.3 M	(0.4 M)	(1.4 M)	(0.8 M)	1.0 M	0.8 M	(0.1 M)	(0.8 M)	0.9 M	5.4 M	3.5 M	3.8 M
Net Position, end of year	2.1 M	1.6 M	1.0 M	1.3 M	0.9 M	(0.5 M)	(1.3 M)	(0.3 M)	0.4 M	0.3 M	(0.4 M)	0.4 M	5.8M	9.3 M	13.1 M

2009-2015 decrease ***(3.4 M)***

2016-2022 increase ***14.4 M***





Notes on Revenue & Expense Trend Table, Operating Revenue Graph, Net Position Graph

- Net Position has improved $14.4M from 2015 to 2023.
- Average monthly visit volume in the Clinic has increased over 56% from 2019 to 2023.
- The average daily census has increased 72% from 2015 to 2023.
- The Authority has acquired $3.5M in new medical equipment (CT, 3D Mammography, Digital X-Ray, Telemetry) from 2017 to 2023. In addition, the Authority made supporting improvements in quality of care and has incurred $2.4M as of December 31, 2023, towards expanding and modernizing our Primary Care Clinic to support increased access and availability to quality primary care in our area in an updated building.

Management's Plans

The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust Authority includes Cleveland Area Hospital, a critical access hospital, and Lake Area Medical Associates, a Primary Care Clinic, located in Cleveland, Oklahoma. The hospital provides 24/7 emergency, laboratory, radiology, respiratory therapy, and inpatient care services. A fully equipped rehabilitation center, including physical, speech and occupational therapies, provides both outpatient and inpatient services. Lake Area Medical Associates, the Clinic, operates under extended hours on weekdays and includes six providers offering primary care, pediatric, and behavioral health services.

Cleveland Area Hospital is the sole hospital in Pawnee county, creating both responsibility and an opportunity to positively impact rural healthcare in Oklahoma. Stable management and strong leadership preserve the culture and stability of Cleveland Area Hospital by prioritizing excellence in patient care, and focusing on integrity, character, collaboration, and work ethic when considering additions to the team.

The COVID-19 Pandemic tested the strength of the organization, and we succeeded in experiencing an overall growth in volume through positive patient experience as well as improvements in the quality of services we deliver through investments in capital to mitigate the spread and improve delivery of treatment of the virus. The staff and leadership team of Cleveland Area Hospital have driven a complete financial and cultural turnaround over the past 9 years. During the height of the outbreak in Oklahoma, our organization provided constant COVID-19 test administration, daily emergency services, and when the urban hospitals had reached capacity, we offered inpatient acute care services for COVID-19 patients.

In 2021, the Oklahoma Office of Rural Health conducted a community health needs assessment for Cleveland Area Hospital (available at www.clevelandareahospital.com). The survey results indicated demand for additional services, which included increasing the number of primary care providers. The survey also identified the desire of the community to have surgical services, dialysis, pain management, and specialty services such as Cardiology, Dermatology, and OB/GYN available locally. Cleveland Area Hospital's primary service areas are Pawnee, Osage, Creek, and Payne counties, as well as small areas of Tulsa and Noble counties. The central service area radius is about 25 miles with the extended service area radius near 45 miles. The community response to the health needs assessment fuels our vision for growth and service expansion with a regional focus, which is also supported by an addressable market analysis completed in 2022.

The following investments and accomplishments over the past 9 years have laid the groundwork for our next stage of growth and expansion of services to our region:

- 26 of the existing 27 total physicians, physician assistants and nurse practitioners have been recruited during this time. These professionals have enhanced the performance of primary care, inpatient, and emergency services.
- Increased consistency, dedication to patient care, and positive engagement with the community have cultivated trust and value.
- Through a combination of eliminating non-productive expense and investing in recruiting, staff development, medical equipment, technology infrastructure, and operational improvement, the Authority's efforts have delivered a $14.4M increase in Net Position from 2015 to 2023.

The next stage of growth includes the construction of a new replacement facility. The existing hospital was opened in August of 1963. Due to the aging facility design, which does not meet modern compliance standards, the surgery and procedure rooms were taken out of service in 2015. Despite the discontinuation of this valuable and relevant service line, the Authority has grown total operating revenue an average of 10% annually from 2015 to 2023, while also delivering an increase of $14.4M in Net Position.

Due diligence on the construction of a replacement facility began in 2018, and has been a long-term effort of preparation and intelligence gathering, including:

- Facility assessment
- Addressable market analysis
- Debt capacity study
- Feasibility study
- CEO interviews, onsite visits to replacement facilities, researching financials of successful replacement hospitals
- Conferences and meetings with subject matter experts in architecture, market analysis, investment banking, financial advising, bond counsel, regional banking, Certified Public Accounting, feasibility, and the USDA Rural Development programs
- Cultivating relationships with larger health systems, as well as individual physician specialists.

We have been in discussion with the Oklahoma office of USDA since 2018. The next steps in due diligence include submitting an updated feasibility study and the 2023 audited financial report to the USDA for review. The existing proposed project scope is for 62,000 square feet at an estimated total project cost of $60M+.

Initiatives Scheduled for Fiscal Year 2024

- Strategic review of payer contracts and patient receivables turnover, to increase payer yields and current cash flow.
- Submission of a USDA Direct Loan application for the construction of a full replacement hospital.
- We have continued to grow as a Regional Healthcare Center allied with larger health systems. Active and successful discussions continue with both larger health systems and established specialty physicians.
- Recruitment of an additional primary care physician to the clinic.
- Implement specialty clinics in the medical office building space (OB/GYN, general surgery, cardiac, orthopedic).

Conclusion

Management points to the turnaround of both the financial stability and the culture of the Authority. The Authority continues to improve. From Management's perspective, the plans noted above are necessary for the operation's long-term success. This confidence is supported by:

- Positive trajectory in Net Position from 2015 to 2023.
- Measurable improvements from 2015 include favorable increases in Revenue, a favorable increase in net position, a favorable decrease in accounts payable, and favorable increases in patient volumes.
- Stability and commitment of the management team over the past nine years.
- Material, significant investments and improvements implemented in 2016-2023. Full replacement of IT and Phone infrastructure in 2017. Replacement of 100% of computer workstations and laptops in 2017 and updates in 2022. 64-slice CT, digital X-Ray in 2018. 3D Mammography and EMR in 2019. Portable digital X-Ray in 2020. New beds and gurneys for the floor in 2021 and 2022. $3M addition and renovation to primary care space, doubling the capacity of patient care space.
- 2018 – successful recruiting of 2 full-time physicians and 1 physician assistant in the Clinic.
- 13% or 1,500+ increase in Clinic visits in 2021 with an additional 5,300+ or 40% increase in 2022 due to the new providers.

- $1.9M Paycheck Protection Program funding received, attested, and forgiven in 2020.
- $1.9M Second Draw Paycheck Protection funding received in February 2021, forgiven in 2021.
- The existing, preliminary, positive feasibility study on the proposal for a replacement hospital.
- A replacement facility positions the organization for reinstating a surgery program, which will provide needed services in the community and contribute to the organization's financial performance.
- 2023—Transition of the Emergency Department to 24/7 coverage by Emergency Medicine Physicians. Historically, the department had been staffed by Family Practice Physicians, physician assistants, and nurse practitioners. This transition is a step forward for Cleveland and a manifestation of management's commitment to continuing to enhance the level of quality care offered to our community.
- 2024—In January 2024, Internal Medicine Physicians began covering inpatient and swing beds. Historically, Family Practice Physicians covered swing beds. This transition was made to support a higher acuity of patients that Cleveland can accept into the program and manage onsite rather than transferring.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust Authority, 1401 W Pawnee St, Cleveland, OK 74020.

	2023	2022 Restated
Assets		
Current Assets		
Cash and cash equivalents	$ 6,693,812	$ 5,068,161
Restricted cash under Provider Relief Fund	529,403	529,403
Receivables		
Patient, net of estimated uncollectibles of approximately $933,000 in 2023 and $1,126,000 in 2022	1,057,053	1,085,259
City appropriations	123,815	288,076
Estimated third-party payor settlements	-	238,567
Other	50,851	263,355
Current maturities of rent receivable	-	49,216
Supplies	297,992	246,380
Prepaid expenses	99,897	138,007
Total current assets	8,852,823	7,906,424
Noncurrent Cash Equivalents		
Internally designated for capital improvements	2,901,427	2,297,286
Capital Assets		
Capital assets not being depreciated	404,064	1,380,129
Capital assets being depreciated, net	6,943,953	4,785,998
Right to use leased assets, net	151,083	275,414
Right to use software assets, net	679,890	864,410
Total capital assets	8,178,990	7,305,951
Total assets	$ 19,933,240	$ 17,509,661

	2023	2022 Restated
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 127,325	$ 190,863
Current maturities of right to use lease liabilities	180,487	245,641
Current maturities of software liabilities	177,280	166,803
Accounts payable		
Trade	1,383,218	2,475,759
Estimated third-party payor settlements	423,312	-
Accrued expenses		
Salaries, wages and benefits	1,061,933	1,167,563
Self-insurance claims	254,696	237,393
Interest	8,092	4,382
Refundable advance - Provider Relief Fund	529,403	529,403
Total current liabilities	4,145,746	5,017,807
Noncurrent liabilities		
Right to use lease liabilities, less current maturities	19,486	199,351
Software liabilities, less current maturities	591,792	769,781
Long-term debt, less current maturities	2,081,625	2,158,454
Total noncurrent liabilities	2,692,903	3,127,586
Total liabilities	6,838,649	8,145,393
Deferred Inflow of Resources	-	49,216
Net Position		
Net investment in capital assets	5,192,988	3,527,639
Unrestricted	7,901,603	5,787,413
Total net position	13,094,591	9,315,052
Total liabilities, deferred inflows of resources and net position	$ 19,933,240	$ 17,509,661

	2023	2022 Restated
Operating Revenues		
Net patient service revenue (net of provision for bad debts of $1,545,514 in 2023 and $1,497,531 in 2022)	$ 22,054,846	$ 21,414,344
Other revenue	100,423	212,667
Total operating revenues	22,155,269	21,627,011
Operating Expenses		
Salaries, wages and employee benefits	15,185,294	13,701,313
Other	6,621,672	5,754,160
Depreciation and amortization	875,836	895,588
Total operating expenses	22,682,802	20,351,061
Operating Income (loss)	(527,533)	1,275,950
Nonoperating Revenues (Expenses)		
City appropriations	719,060	699,603
Grants and contributions	589,079	366,868
Employee retention credit	3,206,226	-
Investment income	64,810	5,260
Interest expense	(263,420)	(243,382)
Provider Relief Funds	-	1,354,091
Other	(8,683)	69,340
Net nonoperating revenues	4,307,072	2,251,780
Revenues in Excess of Expenses and Change in Net Position	3,779,539	3,527,730
Net Position, Beginning of Year	9,315,052	5,787,322
Net Position, End of Year	$ 13,094,591	$ 9,315,052

	2023	2022 Restated
Operating Activities		
Receipts from and on behalf of patients	$ 22,744,931	$ 20,812,536
Payments to suppliers and contractors	(7,727,715)	(5,911,858)
Payments to and on behalf employees	(15,273,621)	(14,044,368)
Other receipts and payments, net	312,927	381,974
Net Cash from Operating Activities	56,522	1,238,284
Noncapital Financing Activities		
City appropriations received	883,321	565,617
Repayments of CMS advance payments	-	(3,377,460)
Principal paid on noncapital long-term debt	(4,973)	(11,275)
Interest paid on noncapital long-term debt	(16,627)	(13,109)
Grants and contributions	-	(32,701)
Other noncapital grants and contributions	589,079	366,868
Employee retention credit received	3,206,226	-
Net Cash from (used for) Noncapital Financing Activities	4,657,026	(2,502,060)
Capital and Related Financing Activities		
Interest paid on long-term debt	(169,023)	(145,619)
Principal paid on long-term debt	(135,394)	(153,537)
Interest paid on right to use lease liabilities	(17,318)	(29,224)
Principal paid on right to use lease liabilities	(245,019)	(287,308)
Interest paid on software liabilities	(57,371)	(54,453)
Principal paid on software liabilities	(167,512)	(144,567)
Purchases of capital assets	(1,756,929)	(1,522,859)
Proceeds from sale of capital assets	-	4,500
Net Cash used for Capital and Related Financing Activities	(2,548,566)	(2,333,067)
Investing Activities		
Investment income received	64,810	5,260
Net Change in Cash and Cash Equivalents	2,229,792	(3,591,583)
Cash and Cash Equivalents, Beginning of Year	7,894,850	11,486,433
Cash and Cash Equivalents, End of Year	$ 10,124,642	$ 7,894,850
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	$ 6,693,812	$ 5,068,161
Restricted under Provider Relief Fund	529,403	529,403
Internally designated for capital improvements	2,901,427	2,297,286
	$ 10,124,642	$ 7,894,850

	2023	2022 Restated
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (Loss) income	$ (527,533)	$ 1,275,950
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	875,836	895,588
Provision for bad debts	1,545,514	1,497,531
Changes in assets and liabilities		
Patient receivables	(1,517,308)	(1,304,417)
Estimated third-party payor settlements	661,879	(794,922)
Other receivables	212,504	169,307
Supplies	(51,612)	(29,288)
Prepaid expenses	38,110	6,192
Self-insurance claims	17,303	237,393
Accounts payable	(1,092,541)	(134,078)
Accrued expenses	(105,630)	(580,972)
Net cash from operating activities	$ 56,522	$ 1,238,284
Supplemental Disclosure of Noncash Activities		
Capital assets financed through lease liabilitiy	$ -	$ 25,429
Capital assets financed through accounts payable	$ -	$ 244,385
Capital assets financed through subscriptions	$ -	$ 126,265

Note 1 - Organization and Significant Accounting Policies

The financial statements of The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust 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 November 22, 1976, as a public trust under provisions of Title 60 of the Oklahoma Statutes for the benefit of the citizens of Cleveland, Oklahoma. The Authority is organized as a political subdivision of the state of Oklahoma and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Authority is a component unit of the City of Cleveland, Oklahoma (the City), and the Cleveland City Council appoints the board members of the Authority.

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

Blended Component Unit

Cleveland Area Hospital Holdings, Inc. (Hospital) is a 14-bed critical access hospital (CAH) located in Cleveland, Oklahoma and is an Oklahoma non-profit corporation, recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Hospital is included as a blended component unit of the Authority. The financial statements include the financial activity of the Authority and the Hospital, collectively referred to as the Authority. The Authority's board appoints the board members of the Hospital.

In addition, the board of the Hospital is the same as the board of the Authority. Accordingly, the Authority has control over the use of all Hospital funds, assets and operations to fulfill its mission as specified in the bylaws. The Hospital primarily earns revenue by providing inpatient, outpatient, and emergency care services to patients in Cleveland, Oklahoma, and the surrounding area.

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 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 are either externally imposed or imposed through enabling legislation. The Authority does not have expendable restricted net position as of December 31, 2023 and 2022.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority does not have nonexpendable restricted net position as of December 31, 2023 and 2022.

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

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

Use of Estimates

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

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 December 31, 2023 and 2022 increased approximately $178,000 and decreased approximately $36,000 as a result of increased or decreased payments compared to originally estimated amounts. These amounts total less than 1% of net patient service revenues for each year, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated and externally restricted cash equivalents. 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 the availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

Patient Receivables

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

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

City Appropriations

Effective January 27, 1978, the citizens of the City approved a 1% sales tax with no expiration date to provide unrestricted appropriations to the Authority. The Authority received approximately 3% of its financial support from city appropriations related to sales taxes during the years ended December 31, 2023 and 2022. These funds were used to support operations and make payments on long-term debt.

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 $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.

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	8-40 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 excluded from revenues in excess of 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.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Authority's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 9 years.

Long-Term Obligations

Software Liabilities represent the Authority's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on the borrowing rate determined by the Authority.

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.

Estimated Health Claims Payable

The Authority provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in current liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

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 Service Revenue

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

Charity Care

The Authority provides 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 $22,000 and $-0- for the years ended December 31, 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 revenues in excess of expenses.

Implementation of GASB Statement No. 96

As of January 1, 2022, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangement (SBITAs).* The implementation of this standard establishes that a SBITA results in a right to use subscription IT 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. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard are included in Notes 7.

Note 2 - Net Patient Service Revenue

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

Medicare: The Authority is licensed as a Critical Access Hospital (CAH). The Authority is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Authority and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended December 31, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

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

The Authority has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the years ended December 31, 2023 and 2022:

	2023	2022
Medicare	24%	26%
Medicaid	32%	32%
Blue Cross and other commercial payors	41%	40%
Self pay and other	3%	2%
	100%	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 December 31, 2023 and 2022 increased approximately $68,000 and $366,000 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 - Deposits

Cash and cash equivalents consist of cash and deposits as of December 31, 2023 and 2022.

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

	2023	2022
Cash and cash equivalents	$ 6,693,812	$ 5,068,161
Restricted under Provider Relief Fund	529,403	529,403
Internally designated for capital improvements (noncurrent)	2,901,427	2,297,286
	$ 10,124,642	$ 7,894,850

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 December 31, 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

Note 4 - Provider Relief Fund

The Authority received Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) in previous years. 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 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.

The Authority had liability balances of $529,403, which were included in current liabilities on the accompanying statements of net positions, as well as restricted cash totaling $529,403 for the years ending December 31, 2023 and 2022. The cash was subject to the restrictions imposed by the HHS. During the years ended December 31, 2023 and 2022, the Authority recognized $0 and $1,354,091 as revenue, included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

Note 5 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,000 per quarter. During the year ended December 31, 2023, the Authority recognized a $3,206,226 benefit related to the credit which is presented in the statement of Revenues, Expenses, and Changes in Net Position as Employee Retention Credit.

Note 6 - Capital Assets

Capital asset and right to use asset additions, retirements, transfers and balances for the year ended December 31, 2023 are as follows:

	Balance December 31, 2022 as restated	Additions	Transfers/ Retirements	Balance December 31, 2023
Capital assets not being depreciated				
Land	$ 79,717	$ -	$ -	$ 79,717
Construction in progress	1,300,412	1,693,142	(2,669,207)	324,347
Total capital assets not being depreciated	$ 1,380,129	$ 1,693,142	$ (2,669,207)	$ 404,064
Capital assets being depreciated				
Land improvements	$ 159,155	$ -	$ 38,867	$ 198,022
Building and improvements	5,826,497	-	2,382,127	8,208,624
Equipment	2,929,790	63,787	132,603	3,126,180
Total capital assets being depreciated	8,915,442	63,787	2,553,597	11,532,826
Accumulated depreciation				
Land improvements	(213,407)	(81,431)	-	(294,838)
Building and improvements	(2,797,599)	(137,715)	9,714	(2,925,600)
Equipment	(1,118,438)	(359,217)	109,220	(1,368,435)
Total accumulated depreciation	(4,129,444)	(578,363)	118,934	(4,588,873)
Net depreciable capital assets	$ 4,785,998	$ (514,576)	$ 2,672,531	$ 6,943,953
Right to use leased assets being amortized				
Equipment	$ 1,800,091	$ -	$ (220,583)	$ 1,579,508
Accumulated amortization				
Furniture and equipment	(1,524,677)	(124,472)	220,724	(1,428,425)
Net right to use leased assets	$ 275,414	$ (124,472)	$ 141	$ 151,083
Right to use software assets being amoritzed				
Software agreements	$ 1,413,249	$ -	$ 11,666	$ 1,424,915
Accumulated amortization				
Software agreements	(548,839)	(173,001)	(23,185)	$ (745,025)
Net right to use software agreements	$ 864,410	$ (173,001)	$ (11,519)	$ 679,890
Total capital assets	$ 7,305,951			$ 8,178,990

The Authority is in the process of completing renovations. The Authority's project total cost is estimated to be $347,000 with a completion date of February 2024, funded internally. The project was approximately 94% complete at December 31, 2023.

Capital assets and right to use asset additions, retirements, transfers and balances for the year ended December 31, 2022 are as follows:

	Balance December 31, 2021	Additions	Transfers/ Retirements	Balance December 31, 2022 as restated
Capital assets not being depreciated				
Land	$ 79,717	$ -	$ -	$ 79,717
Construction in progress	61,759	1,244,442	(5,789)	1,300,412
Equipment not placed in service	455,303	-	(455,303)	-
Total capital assets not being depreciated	$ 596,779	$ 1,244,442	$ (461,092)	$ 1,380,129
Capital assets being depreciated				
Land improvements	$ 159,155	$ -	$ -	$ 159,155
Building and improvements	5,826,497	-	-	5,826,497
Equipment	3,244,492	522,802	(837,504)	2,929,790
Total capital assets being depreciated	9,230,144	522,802	(837,504)	8,915,442
Accumulated depreciation				
Land improvements	(204,346)	(9,061)	-	(213,407)
Building and improvements	(2,665,144)	(132,455)	-	(2,797,599)
Equipment	(1,238,999)	(427,580)	548,141	(1,118,438)
Total accumulated depreciation	(4,108,489)	(569,096)	548,141	(4,129,444)
Net depreciable capital assets	$ 5,121,655	$ (46,294)	$ (289,363)	$ 4,785,998
Right to use leased assets being amortized				
Equipment	$ 1,874,355	$ 25,429	$ (99,693)	$ 1,800,091
Accumulated amortization				
Furniture and equipment	(1,321,207)	(303,163)	99,693	(1,524,677)
Net right to use leased assets	$ 553,148	$ (277,734)	$ -	$ 275,414
Right to use software assets being amoritzed				
Software agreements	$ -	$ 126,265	$ 1,286,984	$ 1,413,249
Accumulated amortization				
Software agreements	-	(23,329)	(525,510)	(548,839)
Net right to use software agreements	$ -	$ 102,936	$ 761,474	$ 864,410
Total capital assets	$ 6,271,582			$ 7,305,951

Note 7 - Subscription-Based Technology Arrangements

The Authority has entered into Subscription-Based Information Technology Arrangements (SBITA) contracts for medical software. The Authority is required to make principal and interest payments through July 2028. The SBITA contracts have interest rates ranging from 5.7% to 7.5% based on the Authority's incremental borrowing rate at the inception of the subscription. A schedule of changes in the Authority's SBITA contracts for the year ended December 31, 2023 is as follows:

	(Restated) Balance December 31, 2022	Additions	Payments	Balance December 31, 2023	Due Within One Year
Subscription IT Liabilities	$ 936,584	$ -	$ (167,512)	$ 769,072	$ 177,280

A schedule of changes in the Authority's SBITA contracts for the year ended December31, 2022 is as follows:

	Balance December 31, 2022	Additions/ Transfers	Payments	(Restated) Balance December 31, 2022	Due Within One Year
Subscription IT Liabilities	$ -	$ 1,081,151	$ (144,567)	$ 936,584	$ 166,803

Remaining principal and interest payments on subscriptions are as follows:

Years Ending December 31,	Principal	Interest
2024	$ 177,280	$ 39,769
2025	172,729	29,005
2026	165,131	19,489
2027	167,851	9,957
2028	86,081	1,412
Total	$ 769,072	$ 99,632

Note 8 - Lease Obligations

The Authority has entered into lease agreements for medical equipment. The Authority is required to make principal and interest payments through August 2025. The lease liabilities were valued using discount rates between 2.52% and 8.6% 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 years ended December 31, 2023 and 2022 are as follows:

	Balance December 31, 2022	Additions	Payments	Balance December 31, 2023	Due Within One Year
Medical Equipment	$ 444,992	$ -	$ (245,019)	$ 199,973	$ 180,487

A schedule of changes in the Authority's Right to use leased obligations for the year ended December31, 2022 is as follows:

	Balance December 31, 2021	Additions	Payments	Balance December 31, 2022	Due Within One Year
Medical Equipment	$ 706,871	$ 25,429	$ (287,308)	$ 444,992	$ 245,641

As of September 30, 2023, the value of the lease liabilities are $199,973 and the leased assets are $151,083 and consisted of the following for right to use assets:

- Right to use medical equipment with a lease liability value of $3,809. The Authority is required to make monthly principal and interest payments of $553 through June 2024. The lease liability was valued using a discount rate of 4.93% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of $32,103. The Authority is required to make monthly principal and interest payments of $2,368 through June 2025. The lease liability was valued using a discount rate of 5.16% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right to use medical equipment with a lease liability value of $104,711. The Authority is required to make monthly principal and interest payments of $9,750 through December 2024. The lease liability was valued using a discount rate of 4.80% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right to use medical equipment with a lease liability value of $10,635. The Authority is required to make monthly principal and interest payments of $5,345 through March 2024. The lease liability was valued using a discount rate of 4.07% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of $3,544. The Authority is required to make monthly principal and interest payments of $902 through May 2024. The lease liability was valued using a discount rate of 8.60% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right to use medical equipment with a lease liability value of $17,892. The Authority is required to make monthly principal and interest payments of $1,105 through May 2025. The lease liability was valued using a discount rate of 6.56% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right to use medical equipment with a lease liability value of $12,954. The Authority is required to make monthly principal and interest payments of $807 through June 2025. The lease liability was valued using a discount rate of 7.75% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of $263. The Authority is required to make monthly principal and interest payments of $89 through April 2024. The lease liability was valued using a discount rate of 7.75% based on the Authority's incremental borrowing rate. The lease contains a purchase option for fair market value.

- Right to use copiers with a lease liability value of $14,062. The Authority is required to make monthly principal and interest payments of $789 through August 2025. The lease liability was valued using a discount rate of 7.75% based on the Authority's incremental borrowing rate. The lease contains a purchase option for fair market value.

Remaining principal and interest payments on leases are as follows:

Years Ending December 31,	Principal	Interest
2024	$ 180,487	$ 5,683
2025	19,486	276
Total	$ 199,973	$ 5,959

Note 9 - Long-Term Debt

A schedule of changes in the Authority's long-term debt for the year ended December 31, 2023 is as follows:

	Balance December 31, 2022	Additions	Payments	Balance December 31, 2023	Due Within One Year
Direct Borrowing					
Note payable to bank (A)	$ 1,330,965	$ -	$ (88,862)	$ 1,242,103	$ 96,020
Note payable to bank (B)	984,831	-	(24,867)	959,964	24,419
Note payable to bank (C)	33,521	-	(26,638)	6,883	6,886
Total	$ 2,349,317	$ -	$ (140,367)	$ 2,208,950	$ 127,325

A schedule of changes in the Authority's long-term debt for the year ended December 31, 2022 is as follows:

	Balance December 31, 2021	Additions	Payments	Balance December 31, 2022	Due Within One Year
Direct Borrowing					
Note payable to bank (A)	$ 1,414,168	$ -	$ (83,203)	$ 1,330,965	$ 89,864
Note payable to bank (B)	1,041,207	-	(56,376)	984,831	74,362
Note payable to bank (C)	58,754	-	(25,233)	33,521	26,637
Total	$ 2,514,129	$ -	$ (164,812)	$ 2,349,317	$ 190,863

Note Payable to Bank (A)

The first note payable to the bank is due December 2028, with monthly payments of $14,494, including interest at 6.5%. The note is secured by a mortgage on the medical office building owned by the Authority and an assignment of all rents related to the medical office building. The note was used for capital acquisition. This note payable includes a balloon payment of $742,375 due in December 2028.

Note Payable to Bank (B)

The second note payable to the bank was entered into in April 2012 in the amount of $1,500,000 and is due April 2032, with monthly payments of $9,943, including interest at the Farmer Mac 3-Month Cost of Funds Index Net Yield plus 3.5% (8.0% at December 31, 2023). The note was used for capital improvements (80% of the note) and operations (20% of the note). The note is secured by certain real property and an assignment of one quarter of the Authority's city appropriation revenue.

The second note agreement requires the Authority to maintain compliance with certain loan covenant ratios, which were not met as of December 31, 2023. The Authority obtained a letter from the lender waiving the noncompliance with loan covenants for the year ended December 31, 2023.

Note Payable to Bank (C)

The third note payable to the bank is due March 2024, with monthly payments of $2,317, including interest at 5.43%. The note was used for capital acquisition. The note is secured by certain capital assets.

Scheduled debt service requirements for the Authority’s long-term debt are as follows:

Years Ending December 31,	Principal	Interest
2024	$ 127,325	$ 172,807
2025	129,425	163,819
2026	139,111	154,133
2027	149,552	143,692
2028	160,810	132,433
2029 - 2032	1,502,727	242,247
Total	$ 2,208,950	$ 1,009,131

Note 10 - Defined Contribution Plan

The Authority has a defined contribution plan which covers substantially all employees. Contribution expense is recorded for the amount of the Authority’s required contributions, determined in accordance with the terms of the plan. The plan is administered by the Authority's Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Total contribution expense for the years ended December 31, 2023, 2022, and 2021, was approximately $248,000, $228,000, and $196,000.

Note 11 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from third-party payors and patients at December 31, 2023 and 2022 was as follows:

	2023	2022
Medicare	14%	14%
Medicaid	21%	30%
Commercial insurance	44%	42%
Patients	21%	14%
	100%	100%

Note 12 - Contingencies

Risk Management

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

Malpractice Insurance

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

Litigations, Claims, and Disputes

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

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

Self-Funded Health Plan

The Authority became self-funded for health benefits for eligible employees and their dependents during 2022. The Authority, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred by not reported claims that will be paid by the Authority. The Authority has stop loss insurance to cover catastrophic claims in excess of $85,000 per claim and an annual aggregate limit of 100% of expected claims, as measured annually by the insurance provider.

The Authority expenses amounts representing the employer’s portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in self-insurance claims in the financial statements. These amounts have been estimated based on historical trends and actuarial analysis.

Changes in the balance of claims liabilities during the past year is as follows:

	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2023	$ 237,393	$ 1,950,124	$ (1,932,821)	$ 254,696
2022	-	1,611,630	(1,374,237)	237,393

Note 13 - 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 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.

Critical access hospitals are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. The Authority records receipts as a reduction in Medicaid contractual adjustments. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP. During 2023 and 2022, the Authority received approximately $2,070,000 and $1,859,000 SHOPP funds.

Note 14 - Condensed Combining Information

The following summarizes combining information for the Authority and Hospital, which has been presented as a blended component unit, as of and for the year ended December 31, 2023.

Statement of net position as of December 31, 2023:

	The Cleveland Area Hospital Authority	Cleveland Area Hospital Holdings, Inc.	Eliminations	Total
Assets				
Current assets	$ 1,932,051	$ 6,920,772	$ -	$ 8,852,823
Noncurrent assets	-	2,901,427	-	2,901,427
Capital assets, net	2,862,433	5,316,557	-	8,178,990
Total assets	$ 4,794,484	$ 15,138,756	$ -	$ 19,933,240
Liabilities and Net Position				
Liabilities				
Current liabilities	$ 132,495	$ 4,013,251	$ -	$ 4,145,746
Noncurrent liabilities	2,081,625	611,278	-	2,692,903
Total liabilities	2,214,120	4,624,529	-	6,838,649
Net Position				
Net investment in capital assets	845,476	4,347,512	-	5,192,988
Unrestricted	1,734,888	6,166,715	-	7,901,603
Total net position	2,580,364	10,514,227	-	13,094,591
Total liabilities, deferred inflows and net position	$ 4,794,484	$ 15,138,756	$ -	$ 19,933,240

Operating results and changes in net position for the year ended December 31, 2023:

	The Cleveland Area Hospital Authority	Cleveland Area Hospital Holdings, Inc.	Eliminations	Total
Operating revenues				
Net patient service revenue	$ -	$ 22,054,846	$ -	$ 22,054,846
Other income	112,471	71,792	(83,840)	100,423
Total revenue	112,471	22,126,638	(83,840)	22,155,269
Operating expenses				
Depreciation and amortization	132,825	743,011	-	875,836
Other operating expenses	138,384	21,752,422	(83,840)	21,806,966
Total operating expenses	271,209	22,495,433	(83,840)	22,682,802
Operating income (loss)	(158,738)	(368,795)	-	(527,533)
Nonoperating revenues	554,586	3,752,486	-	4,307,072
Change in Net Position	395,848	3,383,691	-	3,779,539
Transfers	29,030	(29,030)	-	-
Net Position, Beginning of Year	2,155,486	7,159,566	-	9,315,052
Net Position, End of Year	$ 2,580,364	$ 10,514,227	$ -	$ 13,094,591

Cash flows for the year ended December 31, 2023:

	The Cleveland Area Hospital Authority	Cleveland Area Hospital Holdings, Inc.	Eliminations	Total
Net Cash from Operating Activities	$ 5,206	$ 51,316	$ -	$ 56,522
Net Cash from Noncapital Financing Activities	887,962	3,769,064	-	4,657,026
Net Cash used in Capital and Related Financing Activities	(316,933)	(2,231,633)	-	(2,548,566)
Net Cash provided by Investing Activities	21,926	42,884	-	64,810
Net Change in Cash and Cash Equivalents	598,161	1,631,631	-	2,229,792
Cash and Cash Equivalents, Beginning of Year	1,188,793	6,706,057	-	7,894,850
Cash and Cash Equivalents, End of Year	$ 1,786,954	$ 8,337,688	$ -	$ 10,124,642

The following summarizes combining information for the Authority and Hospital, which has been presented as a blended component unit, as of and for the year ended December 31, 2022.

Statement of net position as of December 31, 2022:

	The Cleveland Area Hospital Authority	Cleveland Area Hospital Holdings, Inc.	Eliminations	Total
Assets				
Current Assets	$ 1,561,286	$ 6,345,138	$ -	$ 7,906,424
Noncurrent assets	-	2,297,286	-	2,297,286
Capital assets, net	2,998,023	4,307,928	-	7,305,951
Total assets	$ 4,559,309	$ 12,950,352	$ -	$ 17,509,661
Liabilities and Net Position				
Liabilities				
Current liabilities	$ 196,153	$ 4,821,654	$ -	$ 5,017,807
Noncurrent liabilities	2,158,454	969,132	-	3,127,586
Total liabilities	2,354,607	5,790,786	-	8,145,393
Deferred Inflows of Resources	49,216	-	-	49,216
Net Position				
Net investment in capital assets	845,672	2,681,967	-	3,527,639
Unrestricted	1,309,814	4,477,599	-	5,787,413
Total net position	2,155,486	7,159,566	-	9,315,052
Total liabilities, deferred inflows and net position	$ 4,559,309	$ 12,950,352	$ -	$ 17,509,661

Operating results and changes in net position for the year ended December 31, 2022:

	The Cleveland Area Hospital Authority	Cleveland Area Hospital Holdings, Inc.	Eliminations	Total
Operating revenues				
Net patient service revenue	$ -	$ 21,414,344	$ -	$ 21,414,344
Other income	233,883	62,624	(83,840)	212,667
Total revenue	233,883	21,476,968	(83,840)	21,627,011
Operating expenses				
Depreciation and amortization	134,104	761,484	-	895,588
Other operating expenses	117,425	19,421,888	(83,840)	19,455,473
Total operating expenses	251,529	20,183,372	(83,840)	20,351,061
Operating income	(17,646)	1,293,596	-	1,275,950
Nonoperating revenues	544,597	1,707,183	-	2,251,780
Change in Net Position	526,951	3,000,779	-	3,527,730
Transfers	(1,086,339)	1,086,339	-	-
Net Position (Deficit), Beginning of Year	2,714,874	3,072,448	-	5,787,322
Net Position, End of Year	$ 2,155,486	$ 7,159,566	$ -	$ 9,315,052

Cash flows for the year ended December 31, 2022:

	The Cleveland Area Hospital Authority	Cleveland Area Hospital Holdings, Inc.	Eliminations	Total
Net Cash from Operating Activities	$123,610	$1,114,674	$ -	$1,238,284
Net Cash used for Noncapital Financing Activities	(767,985)	(1,734,075)	-	(2,502,060)
Net Cash used in Capital and Related Financing Activities	(68,957)	(2,264,110)	-	(2,333,067)
Net Cash provided by Investing Activities	3,575	1,685	-	5,260
Net Change in Cash and Cash Equivalents	(709,757)	(2,881,826)	-	(3,591,583)
Cash and Cash Equivalents, Beginning of Year	1,898,550	9,587,883	-	11,486,433
Cash and Cash Equivalents, End of Year	$ 1,188,793	$ 6,706,057	$ -	$ 7,894,850

Note 15 - Restatement Due to Adoption of New Accounting Standard

Also, as of January 1, 2022, the Authority adopted GASB Statement No. 96, *Subscription-Based information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset-an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA.

Beginning net position, capital assets, long term liabilities, operating and non-operating income and cash flows were restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

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	Originally Presented December 31 2022	Restatement	As restated December 31 2022
Statement of Net Position			
Assets			
Current assets			
Capital assets being being depreciated, net	5,531,293	(745,295)	4,785,998
Right to use software liabilities, net	-	864,410	864,410
Total capital assets	7,186,836	119,115	7,305,951
Total assets	$ 17,390,546	$ 119,115	$ 17,509,661
Liabilities			
Current liabilities			
Current maturities of software liabilities	129,322	(129,322)	-
Current maturities of right of subscription liabilities	-	166,803	166,803
Total current liabilities	4,980,326	37,481	5,017,807
Noncurrent liabilities			
Software liabilities, less current maturities	684,556	(684,556)	-
Right of use subscription liabilities, less current maturities	-	769,781	769,781
Total noncurrent liabilities	3,042,361	85,225	3,127,586
Total Liabilities	8,022,687	122,706	8,145,393
Net position			
Net investment in capital assets	3,531,230	(3,591)	3,527,639
Total net position	9,318,643	(3,591)	9,315,052
Total liabilities, deferred inflow of resources and net position	$ 17,390,546	$ 119,115	$ 17,509,661

	Originally Presented December 31 2022	Restatement	As restated December 31 2022
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Other	$ 5,780,200	$ (26,040)	$ 5,754,160
Depreciation and amortization	872,259	23,329	895,588
Total operating expenses	20,353,772	(2,711)	20,351,061
Operating Income	1,273,239	2,711	1,275,950
Nonoperating			
Interest expense	(237,080)	(6,302)	(243,382)
Net nonoperating revenues	2,258,082	(6,302)	2,251,780
Revenues in excess of expenses	3,531,321	(3,591)	3,527,730
Net Position, End of Year	$ 9,318,643	$ (3,591)	$ 9,315,052
Statement of Cash Flows			
Operating activities			
Payments to suppliers and contractors	$ (5,937,374)	$ 25,516	$ (5,911,858)
Net cash from operating activities	1,212,768	25,516	1,238,284
Capital and capital related financing activities			
Principal payments on software liabilities	(124,242)	124,242	-
Payment of interest on software liabilities	(49,262)	49,262	-
Principal payments on right to use subscription liabilities	-	(144,567)	(144,567)
Payment of interest on right to use subscription liabilities	-	(54,453)	(54,453)
Net cash used for capital and capital related financing activities	(789,192)	(25,516)	(814,708)

Note 16 - Subsequent Events

Subsequent to year-end, Change Healthcare experienced a material data breach which has caused significant disruption in the ability of healthcare providers across the United States to bill and collect outstanding claims, as well as other operational impacts. To pivot, the Authority began inputting Medicare and Medicaid claims into the portal. Connection was reestablished on April 17, 2024, and we have begun receiving payments again. The Authority, participated in the funding program from Optum in the amount of $170K per week for a total of 4 weeks to further mitigate the loss. The Authority continues to monitor the developments associated with the breach and is currently assessing the impact of this incident on its operations. Given the inherent uncertainty surrounding such events, the ultimate impact on the Authority’s financial statements cannot be reasonably estimated at this time.

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
The Cleveland Area Hospital Authority
d/b/a Cleveland Area Hospital Trust Authority
Cleveland, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Cleveland Area Hospital Authority d/b/a Cleveland Area Hospital Trust Authority (Authority), as of and for the year ended December 31, 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 April 29, 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 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 controls 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 or significant deficiencies 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*.

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.

Eide Bailly LLP

Oklahoma City, Oklahoma
April 29, 2024