



Financial Statements  
June 30, 2023 and 2022

# Fairview Municipal Hospital Authority

Fairview Municipal Hospital Authority

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June 30, 2023 and 2022

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## Independent Auditor's Report

Board of Trustees  
Fairview Municipal Hospital Authority  
Fairview, Oklahoma

### Report on Financial Statements

#### *Opinion*

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

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

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

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

### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the Authority’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority’s internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma  
December 14, 2023

Fairview Municipal Hospital Authority

Statements of Net Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 53,096	\$ 157,276
Cash and cash equivalents, restricted	24,614	79,436
Short term investments - certificate of deposit	251,767	740,823
Short term investments, restricted	-	770,717
Receivables		
Patient, net of estimated uncollectibles of approximately \$337,000 in 2023 and \$333,000 in 2022	707,304	688,295
Estimated third party payor settlements	121,078	-
Sales tax	74,167	69,583
Other	191,196	240,923
Supplies	170,589	170,716
Prepays	37,014	28,902
Total current assets	<u>1,630,825</u>	<u>2,946,671</u>
Capital Assets		
Capital assets not being depreciated	4,044	330,266
Capital assets being depreciated	<u>4,671,800</u>	<u>3,168,546</u>
Total capital assets	<u>4,675,844</u>	<u>3,498,812</u>
Total assets	<u>\$ 6,306,669</u>	<u>\$ 6,445,483</u>

Fairview Municipal Hospital Authority

Statements of Net Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 161,625	\$ 161,649
Current Maturities of CMS advance payments	-	538,027
Accounts payable		
Trade	642,773	294,333
Estimated third party payor settlements	-	105,067
Accrued expenses		
Salaries and payroll taxes	243,376	195,573
Vacation	309,728	321,556
Other	79,141	1,001
Refundable advance - Provider Relief Fund	-	770,717
Total current liabilities	<u>1,436,643</u>	<u>2,387,923</u>
Long Term Debt, Less Current Maturities	<u>269,672</u>	<u>429,005</u>
Total liabilities	<u>1,706,315</u>	<u>2,816,928</u>
Net Position		
Net investment in capital assets	4,244,547	2,908,158
Restricted, expendable for capital acquisitions	222,128	316,170
Unrestricted	<u>133,679</u>	<u>404,227</u>
Total net position	<u>4,600,354</u>	<u>3,628,555</u>
Total liabilities and net position	<u>\$ 6,306,669</u>	<u>\$ 6,445,483</u>

Fairview Municipal Hospital Authority  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenue		
Patient service revenue, net of provision for bad debts of \$600,267 in 2023 and \$441,162 in 2022	\$ 6,891,670	\$ 7,223,392
Other revenue	117,488	175,761
Total operating revenue	7,009,158	7,399,153
Operating Expenses		
Salaries and wages	4,637,551	4,734,306
Employee benefits	715,264	664,686
Professional fees and purchased services	1,211,451	1,085,366
Supplies	462,436	580,504
Depreciation and amortization	571,908	594,176
Other	759,922	692,608
Total operating expenses	8,358,532	8,351,646
Operating Loss	(1,349,374)	(952,493)
Nonoperating Revenues (Expenses)		
Sales tax	433,576	416,257
Investment income	6,184	8,207
Interest expense	(34,087)	(33,206)
Noncapital grants and gifts		
Provider Relief Fund	648,361	-
Other	192,390	38,596
Total nonoperating revenues, net	1,246,424	429,854
Expenses in Excess of Revenues Before Capital Contributions and Grants	(102,950)	(522,639)
Capital Contributions and Grants	1,074,749	177,251
Change in Net Position	971,799	(345,388)
Net Position, Beginning of Year	3,628,555	3,973,943
Net Position, End of Year	\$ 4,600,354	\$ 3,628,555



# Fairview Municipal Hospital Authority

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Receipts from or on behalf of patients	\$ 6,646,516	\$ 7,184,789
Other receipts and disbursements, net	123,405	137,995
Payments to suppliers and contractors	(2,215,710)	(2,191,050)
Payments to and on behalf of employees	(5,316,840)	(5,428,157)
<b>Net Cash used for Operating Activities</b>	<b>(762,629)</b>	<b>(296,423)</b>
<b>Noncapital Related Financing Activities</b>		
Recoupments of CMS advance payments	(538,027)	(993,233)
Receipts from Provider Relief Fund	-	621,256
Non capital contributions and donations	192,390	38,596
<b>Net Cash used for Noncapital Related Financing Activities</b>	<b>(345,637)</b>	<b>(333,381)</b>
<b>Capital and Capital Related Financing Activities</b>		
Purchase of capital assets	(1,662,863)	(465,839)
Sales tax restricted to capital acquisitions	428,992	416,257
Grant proceeds for construction	1,118,553	-
Principal payments on debt obligations	(167,288)	(504,640)
Interest paid on debt obligations	(34,087)	(33,206)
<b>Net Cash used for Capital and Capital Related Financing Activities</b>	<b>(316,693)</b>	<b>(587,428)</b>
<b>Investing Activities</b>		
Purchase of short-term investments	-	(6,031)
Investment certificates of deposit redeemed	1,259,773	-
Investment income	6,184	8,211
<b>Net cash from investing activities</b>	<b>1,265,957</b>	<b>2,180</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(159,002)</b>	<b>(1,215,052)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>236,712</b>	<b>1,451,764</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 77,710</b>	<b>\$ 236,712</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and cash equivalents	\$ 53,096	\$ 157,276
Cash, restricted	24,614	79,436
<b>Total Cash and Cash Equivalents</b>	<b>\$ 77,710</b>	<b>\$ 236,712</b>

# Fairview Municipal Hospital Authority

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net		
Cash used for Operating Activities		
Operating loss	\$ (1,349,374)	\$ (952,493)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation and amortization	571,908	594,176
Provision for bad debts	600,267	441,162
Changes in assets and liabilities		
Patient and other receivables	(619,276)	(563,808)
Other receivables	5,923	-
Supplies	127	29,812
Prepaid expenses	(8,112)	213
Estimated third party payor settlements	(226,145)	49,073
Accounts payable and other accrued expenses	226,078	134,607
Accrued salaries and payroll taxes	47,803	6,587
Accrued vacation	(11,828)	(35,752)
	\$ (762,629)	\$ (296,423)
Net Cash used for Operating Activities		
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Equipment purchased through direct financing	\$ 7,931	\$ 25,995
PT clinic purchased through accrued expenses	\$ 78,146	\$ -
Grant revenue included in accounts receivable	\$ -	\$ 177,251

**Note 1 - Principal Activity and Significant Accounting Policies**

The financial statements of Fairview Municipal 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 hospital is owned by the City of Fairview and is leased for a term of fifty years to the Fairview Municipal Hospital Authority under a lease agreement dated August 31, 1981. The Fairview Municipal Hospital Authority was established on September 2, 1980, pursuant to Title 60, Oklahoma Statutes 1971. The City of Fairview is the beneficiary. Management and control of the hospital was directed by a board of control which was appointed by the Fairview Municipal Hospital Authority. The operation of the hospital is governed by a Hospital Operating Agreement dated December 1, 1989. The hospital is located in Fairview, Oklahoma and is a critical access facility with 25 beds that also provides rural health clinic services.

On May 1, 2014, the Fairview Regional Medical Center Authority, a public trust, was established pursuant to Title 60 Oklahoma Statutes 2001, sections 176 to 180.4 inclusive, as amended and supplemented. The City of Fairview is the beneficiary. The initial trustees were trustees of the board of control discussed above.

On May 20, 2014, a sub-lease agreement was entered into between Fairview Municipal Hospital Authority, a public trust (landlord), and the Fairview Regional Medical Center Authority (tenant) for the hospital facilities on a month-to-month basis.

**Blended Component Unit**

Fairview Regional Medical Center Authority is a Title 60 Trust exempt under section 115 of the Internal Revenue Code. The Fairview Regional Medical Center Authority is included as a blended component unit of the Authority. The financial statements include the financial activity of the Fairview Municipal Hospital Authority and the Fairview Regional Medical Center Authority, collectively referred to as the Authority. Financial statements of the Fairview Regional Medical Center Authority can be obtained by contacting the Authority's Administrator.

**Measurement Focus and Basis of Accounting**

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

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

### **Basis of Presentation**

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

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

*Restricted net position:*

Expendable – Expended 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.

**Restricted Cash**

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash includes proceeds from sales tax which are restricted for renovating, expanding, equipping, and maintaining the hospital facilities, debt payments incurred for those purposes and from the Provider Relief Fund (Note 3). Assets that are available for obligations classified as current liabilities are reported in current assets.

**Short-Term Investments**

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

**Patient Receivables**

Patient receivables are uncollateralized customer 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.

**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 Hospital'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 Authority did not have any Right to use leased asset for the years ended June 30, 2023 and 2022. The estimated useful lives of capital assets are as follows:

Land improvements	3 - 15 years
Buildings and improvements	5-40 years
Equipment	5-20 years

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

### **Impairment of Long-Lived Assets**

The Authority considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2023 and 2022.

### **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 reported as accrued vacation 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 excluding interest cost. All other revenues and expenses are reported as nonoperating.

### **Net Patient Service Revenue**

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

**Charity Care**

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$23,000 and \$108,000 for the years ended June 30, 2023 and 2022. Total direct and indirect costs related to these foregone charges were approximately \$13,000 and \$62,000 based on an average ratio of cost to gross charges for the years ended June 30, 2023 and 2022.

**Grants and Contributions**

The Authority may receive 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 is reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Sales Tax Revenue**

The Authority received approximately 5% of its financial support during 2023 and 2022 from sales taxes levied. These funds were used entirely to support building renovations, major repairs, and improvements. The tax was effective April 2002 and shall terminate after September 2027.

**Implementation of GASB No.96**

As of July 1, 2022, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology agreements (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. As of June 30, 2023 and 2022, the Authority did not have any agreements which are required to be recognized under GASB Statement No.96, *Subscription-Based Information Technology Arrangements*.

**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 method with final settlement determined after submission of annual cost reports by the Authority and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended June 30, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates with no retrospective adjustment.

Other: 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:

	<u>2023</u>	<u>2022</u>
Medicare	46%	47%
Medicaid	16%	11%
Commercial	33%	37%
Self-pay	5%	5%
	<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.

**CMS Advance Payments**

The CMS advance payments balance consists of payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Authority received \$1,633,341 in advance payments during April 2020. The advanced payments balance is non-interest bearing through the 29-month repayment period. The Authority's CMS Advance Program obligation has been fully recouped or repaid during the year ended June 30, 2023.



**Note 3 - Provider Relief Fund**

The Authority received \$-0- and \$621,256 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) for the years ended June 30, 2023 and 2022. The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses and lost revenues, varying based on the date the Authority received the funds. Unspent funds will be expected to be repaid.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying 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.

As of June 30, 2023 and 2022, the Authority had a liability of \$-0- and \$770,717, which was included in current liabilities on the accompanying statement of net position under refundable advance – Provider Relief Fund, as well as restricted Short term investments totaling \$-0- and \$770,717, which is subject to the restrictions imposed by HHS. During the year ended June 30, 2023 and 2022, the Authority recognized \$648,361 and \$-0- as revenue included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

**Note 4 - Deposits**

The carrying amounts of the Authority's deposits at June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Carrying Amount		
Cash Deposits in Banks	<u>\$ 329,477</u>	<u>\$ 977,535</u>

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 53,096	\$ 157,276
Cash, restricted	24,614	79,436
Short-term investments	<u>251,767</u>	<u>740,823</u>
	<u>\$ 329,477</u>	<u>\$ 977,535</u>

### **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.

**Note 5 - Capital Assets**

Capital assets additions, retirements or 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	\$ 4,044	\$ -	\$ -	\$ 4,044
Construction in progress	326,222	1,547,703	(1,873,925)	-
Total capital assets not being depreciated	<u>\$ 330,266</u>	<u>\$ 1,547,703</u>	<u>\$ (1,873,925)</u>	<u>\$ 4,044</u>
Capital assets being depreciated				
Building and improvements	\$ 7,566,646	\$ -	\$ 1,873,925	\$ 9,440,571
Equipment	5,496,586	201,237	-	5,697,823
Total capital assets being depreciated	<u>13,063,232</u>	<u>\$ 201,237</u>	<u>\$ 1,873,925</u>	<u>15,138,394</u>
Less accumulated depreciation for:				
Building and improvements	6,132,532	\$ 186,487	\$ -	6,319,019
Equipment	3,762,154	385,421	-	4,147,575
Total accumulated depreciation	<u>9,894,686</u>	<u>\$ 571,908</u>	<u>\$ -</u>	<u>10,466,594</u>
Net capital assets being depreciated	<u>\$ 3,168,546</u>			<u>\$ 4,671,800</u>
Capital assets, net	<u>\$ 3,498,812</u>			<u>\$ 4,675,844</u>

The physical therapy outpatient clinic was placed in service May 19, 2023. The project was funded by an Economic Development Cares Act grant which required a 20 percent match from the Authority. At June 30, 2023 the Authority submitted a final request for reimbursement from the grant totaling \$133,447 which is included in other receivables and grant revenue in the accompanying financial statements.

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

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

	Balance June 30, 2021	Additions	Transfers and Retirements	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 4,044	\$ -	\$ -	\$ 4,044
Construction in progress	48,911	277,311	-	326,222
Total capital assets not being depreciated	<u>\$ 52,955</u>	<u>\$ 277,311</u>	<u>\$ -</u>	<u>\$ 330,266</u>
Capital assets being depreciated				
Building and improvements	\$ 7,566,646	\$ -	\$ -	\$ 7,566,646
Equipment	5,282,063	214,523	-	5,496,586
Total capital assets being depreciated	<u>12,848,709</u>	<u>\$ 214,523</u>	<u>\$ -</u>	<u>13,063,232</u>
Less accumulated depreciation for:				
Building and improvements	5,917,166	\$ 215,366	\$ -	6,132,532
Equipment	3,383,344	378,810	-	3,762,154
Total accumulated depreciation	<u>9,300,510</u>	<u>\$ 594,176</u>	<u>\$ -</u>	<u>9,894,686</u>
Net capital assets being depreciated	<u>\$ 3,548,199</u>			<u>\$ 3,168,546</u>
Capital assets, net	<u>\$ 3,601,154</u>			<u>\$ 3,498,812</u>

**Note 6 - Long-Term Debt**

The Authority's long-term debt from direct borrowings and capital leases at June 30, 2023 and 2022 consists of:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Long-term notes payable:					
Note payable to bank (1)	\$ 442,425	\$ -	\$ 118,067	\$ 324,358	\$ 122,087
Note payable (2)	1,979	-	1,979	-	-
Note payable (3)	4,375	-	4,375	-	-
Note payable (4)	19,295	-	7,358	11,937	7,785
Note payable (5)	97,842	-	28,459	69,383	24,300
Note payable (6)	24,738	-	4,311	20,427	4,955
Note payable (7)	-	7,931	2,739	5,192	2,498
Total long-term debt	<u>\$ 590,654</u>	<u>\$ 7,931</u>	<u>\$ 167,288</u>	<u>\$ 431,297</u>	<u>\$ 161,625</u>
	Balance June 30, 2021	Additions	Payments/ Forgiveness	Balance June 30, 2022	Due Within One Year
Long-term notes payable:					
Note payable to bank	\$ 310,100	\$ -	\$ 310,100	\$ -	\$ -
Note payable to bank (1)	553,624	-	111,199	442,425	119,364
Note payable	41,200	-	41,200	-	-
Note payable (2)	6,503	-	4,524	1,979	1,979
Note payable (3)	10,550	-	6,175	4,375	4,375
Note payable (4)	26,326	-	7,031	19,295	7,165
Note payable (5)	120,996	-	23,154	97,842	24,098
Note payable (6)	-	25,995	1,257	24,738	4,668
Total long-term debt	<u>\$ 1,069,299</u>	<u>\$ 25,995</u>	<u>\$ 504,640</u>	<u>\$ 590,654</u>	<u>\$ 161,649</u>

The terms and due dates of the Authority's notes payable at June 30, 2023 and 2022 are as follows:

- (1) Note payable to bank, variable one year treasury constant plus 1.45%, 3.85% at June 30, 2023 interest rate, due in monthly installments of \$11,032 including interest, through July 2027, secured by accounts receivable, equipment and real estate.
- (2) Note payable to vendor 10% imputed interest rate due in monthly installments of \$478 including interest, secured by equipment. The obligation was satisfied March 2023.
- (3) Note payable to vendor 8.2% imputed interest rate due in monthly installments of \$527 including interest, secured by equipment. The obligation was satisfied June 2023.
- (4) Note payable to vendor 8.2% imputed interest rate due in monthly installments of \$716 including interest through February 2025, secured by equipment.
- (5) Note payable to vendor 5% imputed interest rate due in monthly installments of \$2,298 including interest through April 2026, secured by equipment.
- (6) Note payable to vendor 6% imputed interest rate due in monthly installments of \$502 including interest through March 2027, secured by equipment.
- (7) Note payable to vendor 6% imputed interest rate due in annual installments of \$2,498 including interest through May 2026, secured by equipment.

Scheduled principal and interest repayments on long-term notes payable is as follows:

<u>Years Ending June 30,</u>	<u>Long-Term Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 161,625	\$ 15,758	\$ 177,383
2025	164,540	8,569	173,109
2026	100,500	1,964	102,464
2027	4,632	112	4,744
Total	<u>\$ 431,297</u>	<u>\$ 26,403</u>	<u>\$ 457,700</u>

### **Note 7 - Retirement Plan**

#### **Defined Contribution Plan**

The Authority has a defined contribution 457 Savings Plan under which employees become eligible for participation upon reaching 21 years of age and at least 1,000 hours of service.

The Plan allows for eligible employees to contribute a percentage of pre-tax annual compensation as defined in the Plan. The Authority may make optional profit-sharing contributions subject to certain limitations imposed by the Internal Revenue Service. The Authority did not make any contributions during the years ended June 30, 2023, 2022 and 2021.

Participants are immediately vested in their voluntary contribution plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is 100% vested after three years of service.

### **Note 8 - Supplemental Hospital Offset Payment Program Act**

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to 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. 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 reduction in Medicaid contractual adjustments. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

The Authority received SHOPP payments totaling approximately \$382,000 and \$372,000 for the years ended June 30, 2023 and 2022, respectively, which is included in net patient service revenue.

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

### Note 9 - 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 were as follows:

	<u>2023</u>	<u>2022</u>
Medicare and Medicaid	36%	35%
Other third-party payors	36%	36%
Patients	<u>28%</u>	<u>29%</u>
	<u>100%</u>	<u>100%</u>

### Note 10 - 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 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 aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

#### Litigation, Claims and Disputes

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of task under its various programs. In the opinion of management, the ultimate settlement of 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 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 11 - Presentation of Blended Component Units

The following summarizes combining information for Fairview Municipal Hospital Authority and Fairview Regional Medical Center Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2023.

Statement of net position at June 30, 2023:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
<b>Assets</b>			
Current assets	\$ 222,128	\$ 1,408,697	\$ 1,630,825
Capital assets	3,257,148	1,418,696	4,675,844
<b>Total Assets</b>	<b>\$ 3,479,276</b>	<b>\$ 2,827,393</b>	<b>\$ 6,306,669</b>
<b>Liabilities</b>			
Current liabilities	\$ 201,218	\$ 1,235,425	\$ 1,436,643
Long-term liabilities	202,271	67,401	269,672
<b>Total liabilities</b>	<b>403,489</b>	<b>1,302,826</b>	<b>1,706,315</b>
<b>Net Position</b>			
Net investment in capital assets	2,932,790	1,311,757	4,244,547
Restricted, expendable for capital acquisitions	222,128	-	222,128
Unrestricted	(79,131)	212,810	133,679
	<b>3,075,787</b>	<b>1,524,567</b>	<b>4,600,354</b>
<b>Total liabilities and net position</b>	<b>\$ 3,479,276</b>	<b>\$ 2,827,393</b>	<b>\$ 6,306,669</b>



Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2023:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Operating Revenues			
Net patient service revenue	\$ -	\$ 6,891,670	\$ 6,891,670
Other operating revenue	-	117,488	117,488
Total operating revenue	-	7,009,158	7,009,158
Operating Expenses			
Depreciation	254,770	317,138	571,908
Other operating expenses	1,000	7,785,624	7,786,624
Total operating expense	255,770	8,102,762	8,358,532
Operating Loss	(255,770)	(1,093,604)	(1,349,374)
Nonoperating Revenue (Expense)			
Sales tax revenue	433,576	-	433,576
Provider Relief Funds revenue	-	648,361	648,361
Investment income	679	5,505	6,184
Interest expense	(14,417)	(19,670)	(34,087)
Noncapital Grants and Gifts	-	192,390	192,390
Total non operating revenue	419,838	826,586	1,246,424
Capital Contributions and Grants	1,074,749	-	1,074,749
Change in Net Position	1,238,817	(267,018)	971,799
Net Position, Beginning of Year	1,836,970	1,791,585	3,628,555
Net Position, End of Year	\$ 3,075,787	\$ 1,524,567	\$ 4,600,354

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

Statement of Cash Flows as of June 30, 2023:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Net Cash used for Operating Activities	\$ (123,362)	\$ (639,267)	\$ (762,629)
Net Cash used for Noncapital Financing Activities	-	(345,637)	(345,637)
Net Cash used for Capital and Related Financing Activities	(54,495)	(262,198)	(316,693)
Net Cash from Investing Activities	<u>679</u>	<u>1,265,278</u>	<u>1,265,957</u>
Change in Cash and Cash Equivalents	(177,178)	18,176	(159,002)
Cash and Cash Equivalents, Beginning of Year	<u>79,436</u>	<u>157,276</u>	<u>236,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ (97,742)</u>	<u>\$ 175,452</u>	<u>\$ 77,710</u>

The following summarizes combining information for Fairview Municipal Hospital Authority and Fairview Regional Medical Center Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2022.

Statement of Net Position at June 30, 2022:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
<b>Assets</b>			
Current assets	\$ 316,170	\$ 2,630,501	\$ 2,946,671
Capital assets	<u>1,964,216</u>	<u>1,534,596</u>	<u>3,498,812</u>
Total Assets	<u>\$ 2,280,386</u>	<u>\$ 4,165,097</u>	<u>\$ 6,445,483</u>
<b>Liabilities</b>			
Current liabilities	\$ 120,355	\$ 2,267,568	\$ 2,387,923
Long-term liabilities	<u>323,061</u>	<u>105,944</u>	<u>429,005</u>
Total liabilities	<u>443,416</u>	<u>2,373,512</u>	<u>2,816,928</u>
<b>Net Position</b>			
Net investment in capital assets	1,521,791	1,386,367	2,908,158
Restricted, expendable for capital acquisitions	316,170	-	316,170
Unrestricted	<u>(991)</u>	<u>405,218</u>	<u>404,227</u>
	<u>1,836,970</u>	<u>1,791,585</u>	<u>3,628,555</u>
Total liabilities and net position	<u>\$ 2,280,386</u>	<u>\$ 4,165,097</u>	<u>\$ 6,445,483</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2022:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Operating Revenues			
Net patient service revenue	\$ -	\$ 7,223,392	\$ 7,223,392
Other operating revenue	-	175,761	175,761
Total operating revenue	<u>-</u>	<u>7,399,153</u>	<u>7,399,153</u>
Operating Expenses			
Depreciation	299,932	294,244	594,176
Other operating expenses	2,000	7,755,470	7,757,470
Total operating expense	<u>301,932</u>	<u>8,049,714</u>	<u>8,351,646</u>
Operating Loss	<u>(301,932)</u>	<u>(650,561)</u>	<u>(952,493)</u>
Nonoperating Revenue (Expense)			
Sales tax revenue	416,257	-	416,257
Interest expense	(25,355)	(7,851)	(33,206)
Investment Income	653	7,554	8,207
Grants	-	38,596	38,596
Total non operating revenue (expense)	391,555	38,299	429,854
Capital Contributions and Grants	<u>177,251</u>	<u>-</u>	<u>177,251</u>
Change in Net Position	266,874	(612,262)	(345,388)
Net Position Beginning of Year	<u>1,570,096</u>	<u>2,403,847</u>	<u>3,973,943</u>
Net Position End of Year	<u>\$ 1,836,970</u>	<u>\$ 1,791,585</u>	<u>\$ 3,628,555</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2023 and 2022

Statement of Cash Flows as of June 30, 2022:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Net Cash from (used for) Operating Activities	\$ 5,304	\$ (301,727)	\$ (296,423)
Net Cash used for Noncapital Financing Activities	-	(333,381)	(333,381)
Net Cash used for Capital and related Financing Activities	(332,925)	(254,503)	(587,428)
Net Cash from Investing Activities	<u>657</u>	<u>1,523</u>	<u>2,180</u>
Change in Cash and Cash Equivalents	(326,964)	(888,088)	(1,215,052)
Cash and Cash Equivalents, Beginning of Year	<u>406,400</u>	<u>1,045,364</u>	<u>1,451,764</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 79,436</u></u>	<u><u>\$ 157,276</u></u>	<u><u>\$ 236,712</u></u>



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

Board of Trustees  
Fairview Municipal Hospital Authority  
Fairview, 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 Fairview Municipal 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 December 14, 2023.

**Report on Internal Control over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness, 2023-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses, to be significant deficiencies, 2023-002 and 2023-003.

### **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 statement. 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*.

### **The Authority's Responses 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 if findings and responses are included in the body of the report. 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.



Oklahoma City, Oklahoma  
December 14, 2023

**Material Weakness in Internal Control Over Financial Reporting:**

**2023-001      Preparation of Financial Statements**

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

*Condition:* The Authority does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP and GASB. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

*Cause:* This deficiency is partly due to limited resources in the financial reporting process due to budgetary constraints. Furthermore, management has elected to have the financial statements and footnotes prepared by a party outside of management.

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

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

*Management Response:* Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost but will continue evaluating on a going forward basis.

**Significant Deficiencies in Internal Control Over Financial Reporting:**

**2023-002 Segregation of Duties**

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

*Condition:* During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity.

*Cause:* The Authority's size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures.

*Effect:* Inadequate segregation of duties could adversely affect the Authority's ability to detect and correct unintentional or intentional misstatements in a timely manner by employees in the normal course of performing their assigned functions.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations. In addition, we recommend that the functions be reviewed to determine if additional segregation is feasible to improve efficiency and effectiveness of the financial management of the organization.

*Management Response:* Management accepts the risk associated with this condition and continues to monitor the assignment of duties to obtain maximum internal control under the circumstances.

**2023-003 Maintenance and Retention of Patient Consent Documentation**

*Criteria:* A properly designed system of internal control includes controls to ensure all patient consent documents are obtained and retained.

*Condition:* During the course of our engagement, we noted that there were various patient consents for treatment which were not signed.

*Cause:* During the Covid Public Health Emergency there was a waiver for obtaining physical consent forms signed due to the influx of patients. This waiver was no longer applicable during fiscal year 2023 as consents were reinstated as required for all treatments; however, not all of the Hospital's staff were aware of the change.

*Effect:* Inadequate documentation could adversely affect the Hospital as there is lack of support of agreement between the patient and the Hospital. This could result in complaints by the patient for charges not previously consented to.

*Auditor's Recommendation:* We recommend the Hospital adopt a process over obtaining patient consent for treatment and to monitor completion of the forms going forward.

*Management Response:* Management concurs with the auditor's recommendation. Management will provide staff training on the process used prior to the COVID waiver. Also, Management will create a key performance indicator to monitor the consent to treat forms to ensure all procedures have a corresponding form.