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

Holdenville Hospital Authority

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Holdenville Hospital Authority
Holdenville, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Holdenville Hospital Authority (Authority), as of and for the years then ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

What inspires you, inspires us. | eidebailly.com

621 N. Robinson Ave., Ste. 200 | Oklahoma City, OK 73102-6232 | T 405.594.2000 | F 405.594.2053 | EOE

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 December 18, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 18, 2023

Introduction

This discussion and analysis of the financial performance of the Holdenville Hospital Authority (Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended June 30, 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

- The Authority's total assets decreased during the year by $1,519,347 or 18% in 2023 compared with a decrease during 2022 of $1,668,159 or 17%.
- The Authority's total liabilities decreased during the year by $1,501,117 or 44% in 2023 compared with a decrease during 2022 of $2,565,393 or 43%.
- The Authority reported an operating loss in 2023 of $1,322,042 and in 2022 of $467,151. The operating loss increased $854,891 or 183% from 2022 to 2023. The operating loss decreased $1,386,738 or 75% from 2021 to 2022.

Using This Annual Report

The Authority's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses, and changes in net position; and a 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 Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

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

These two statements report the Authority's net position and changes in 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 or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The Authority's net position decreased by $18,230 or 0.4% in 2023, and increased by $897,234 or 22% in 2022, as shown in Table 1.

Condensed Financial Statements

Table 1: Assets, Liabilities and Net Position

	2023	2022	2021
Assets			
Current assets	$ 3,497,285	$ 5,122,468	$ 6,377,038
Capital assets, net	3,077,162	2,973,587	3,388,029
Noncurrent assets	341,011	338,750	337,897
Total assets	$ 6,915,458	$ 8,434,805	$ 10,102,964
Liabilities			
Current liabilities	$ 1,733,269	$ 3,133,059	$ 4,357,526
Long-term debt, less current maturities	195,677	297,004	1,637,930
Total liabilities	1,928,946	3,430,063	5,995,456
Net Position			
Net investment in capital assets	2,776,260	2,479,621	2,692,972
Unrestricted	2,210,252	2,525,121	1,414,536
Total net position	4,986,512	5,004,742	4,107,508
Total liabilities and net position	$ 6,915,458	$ 8,434,805	$ 10,102,964

The Authority's assets, liabilities and net position where significantly impacted by the COVID 19 pandemic and related government relief programs.

- Patient receivables increased $101,512 or 6% in 2023 and increased $317,678 or 25% in 2022. The 2023 and 2022 increase to an increase in volume.

- Current assets decreased $1,625,183 or 32% in 2023 compared to $1,254,570 or 20% in 2022, due to expending remaining PRF fund and the repayment and recoupment of CMS advance program funds. Current liabilities decreased $1,399,790 or 45% in 2023 compared to $1,224,467 or 28% in 2022, due to the recognition of Provider Relief Funds and the recoupment and repayment of CMS advance program funds.

Operating Results and Changes in Net Position

Table 2: Operating Results and Changes in Net Position

	2023	2022	2021
Operating Revenues			
Net patient service revenue	$ 15,089,087	$ 14,585,386	$ 10,902,210
Other revenue	2,146,337	2,344,435	1,854,150
Total operating revenues	17,235,424	16,929,821	12,756,360
Operating Expenses			
Salaries and wages and employee benefits	8,576,852	8,277,388	7,551,813
Purchased services and professional fees	4,820,336	4,490,992	3,014,192
Depreciation	658,356	610,972	462,545
Other operating expenses	4,501,922	4,017,620	3,581,699
Total operating expenses	18,557,466	17,396,972	14,610,249
Operating Loss	(1,322,042)	(467,151)	(1,853,889)
Nonoperating Revenues (Expenses)			
Interest expense	(29,838)	(72,476)	(97,290)
Sales tax	621,402	674,604	584,676
Noncapital contributions and grants	33,588	21,197	88,576
Investment income	11,069	12,166	24,619
Provider relief funds	667,591	728,894	3,662,257
Forgiveness of Paycheck Protection Program loans	-	-	1,195,600
Total nonoperating revenues, net	1,303,812	1,364,385	5,458,438
Revenues in Excess of (Less Than) Expenses	(18,230)	897,234	3,604,549
Net Position, Beginning of the Year	5,004,742	4,107,508	502,959
Net Position, End of Year	$ 4,986,512	$ 5,004,742	$ 4,107,508

Operating Income

The first component of the overall change in the Authority's net position is its operating income - generally, 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 $1,322,042 in 2023 compared to an operating loss of $467,151 in 2022. The primary components of the operating loss are:

- Net patient service revenue increased $503,701 or 3% in 2023 and increased $3,683,176 or 34% in 2022. The increase in 2023 is attributed to the increase in charge rates. The increase in 2022 is attributed to the increase in inpatient hospital services such as swing bed and acute care outpatient hospital services, which includes emergency room services, radiology and laboratory, provided by the Authority.
- Other operating revenue decreased $198,098 or 8% in 2023 and increased $490,285 or 26% in 2022. The decrease is attributed to the decrease in the drug pricing program.
- Salaries, wages and employee benefits expense increased $299,464 or 4% in 2023 and increased $725,575 or 10% in 2022. In 2023, the Authority's full-time equivalents remained stable. The increase was attributed to inflation. The increase in 2022 is attributed to additional full-time equivalents and wage increases needed as a result of the COVID-19 pandemic.
- Purchased services and professional fees increased $329,344 or 7% in 2023 and increased $1,476,800 or 49% in 2022. The increase in 2023 is due staffing shortages. The increase in 2022 is due to increases in contract labor to support volume increases and staffing shortages.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales tax revenues and Provider Relief Funds. Sales tax revenues decreased $53,202 or 8% from 2022 to 2023 and increased $89,928 or 15% from 2021 to 2022. As a result of the COVID-19 pandemic, the Authority received Provider Relief Funds and recognized $667,591 and $728,894 as nonoperating revenue in 2023 and 2022.

The Authority's Cash Flows

The Authority's overall liquidity decreased during the year with a net decrease to cash and cash equivalents, of $1,726,645 or 75% during 2023 when compared with 2022 due to the use of amounts received under the CARES Act and increase in operating expenses. The liquidity decreased $1,320,665 or 36% during 2022 when compared to 2021 due to the use of amounts received under the CARES Act. Cash used from operating activities increased by $771,771 during 2023 when compared with cash from in 2022 which increased by $2,242,378 or 106% when compared with 2021. Cash used by non-capital financing activities decreased by $908,276 or 89% during 2023 when compared with 2022 and decreased by $1,797,120 during 2022 when compared with 2021. Cash used for capital and capital related financing activities increased by $537,419 or 120% during 2023 when compared with 2022 and decreased by $2,076,266 or 8% during 2022 when compared with 2021. Cash provided by investing activities decreased by $5,066 or 49% during 2023 when compared with 2022 and decreased by $5,621 or 35% during 2022 when compared with 2021.

Capital Assets

In 2023, the Authority purchased capital assets of $761,931 and had $3,077,162 invested in capital assets, net of accumulated depreciation and amortization, as detailed in Note 5 to the financial statements. In 2022, the Authority purchased capital assets of $196,530 and had $2,973,587 invested in capital assets, net of accumulated depreciation and amortization.

Long-Term Debt and Right to Use Lease Obligations

The Authority had $300,902 and $493,966 in long-term debt at June 30, 2023 and 2022. The Authority had $106,044 and $-0- in notes payable (line of credit) at June 30, 2023 and 2022. Notes 6 and 7 to the financial statements details the changes and terms of the Authority's debt and right to use lease obligations.

Requests for Information

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 Holdenville Hospital Authority, 100 McDougal Drive, Holdenville, Oklahoma 74848.

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 579,879	$ 1,638,290
Restricted cash for Provider Relief Funds	-	668,234
Short-term investments	436,970	433,367
Receivables		
Patients, net of estimated uncollectibles of approximately $819,000 in 2023 and $841,000 in 2022	1,700,970	1,599,458
Estimated third-party payor settlements	-	154,266
Sales tax	100,648	100,648
Other	267,003	165,356
Supplies	197,129	222,692
Prepaid expenses	214,686	140,157
Total current assets	3,497,285	5,122,468
Noncurrent investments	341,011	338,750
Capital Assets		
Capital assets not being depreciated	33,919	33,919
Capital assets, net of accumulated depreciation	2,807,413	2,565,314
Right to use leased assets, net of accumulated amortization	235,830	374,354
Total capital assets	3,077,162	2,973,587
Total assets	$ 6,915,458	$ 8,434,805

	2023	2022
Liabilities and Net Position		
Current Liabilities		
Current maturities of line of credit	$ 26,093	$ -
Current maturities of long-term debt	45,032	43,213
Current maturities of right to use lease liabilities	140,144	153,749
Current maturities of CMS advance payment	-	871,591
Accounts payable		
Trade	670,204	621,854
Estimated third-party payor settlements	78,964	-
Accrued expenses	772,832	774,418
Refundable advance - Provider Relief Funds	-	668,234
Total current liabilities	1,733,269	3,133,059
Long-Term Liabilities		
Line of credit, less current maturities	79,951	-
Long-term debt, less current maturities	38,598	81,745
Right to use lease liabilities, less current maturities	77,128	215,259
Total long-term liabilities	195,677	297,004
Total liabilities	1,928,946	3,430,063
Net Position		
Net investment in capital assets	2,776,260	2,479,621
Unrestricted	2,210,252	2,525,121
Total net position	4,986,512	5,004,742
Total liabilities and net position	$ 6,915,458	$ 8,434,805

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for bad debts of $1,158,982 in 2023 and $1,255,129 in 2022	$ 15,089,087	$ 14,585,386
Other revenue	2,146,337	2,344,435
Total operating revenues	17,235,424	16,929,821
Operating Expenses		
Salaries and wages	7,626,053	7,340,450
Employee benefits	950,799	936,938
Purchased services and professional fees	4,820,336	4,490,992
Supplies	2,346,601	2,290,176
Depreciation and amortization	658,356	610,972
Other expenses	2,155,321	1,727,444
Total operating expenses	18,557,466	17,396,972
Operating Loss	(1,322,042)	(467,151)
Nonoperating Revenues (Expenses)		
Interest expense	(29,838)	(72,476)
Sales tax	621,402	674,604
Noncapital contributions and grants	33,588	21,197
Investment income	11,069	12,166
Provider relief funds	667,591	728,894
Net nonoperating revenues (expenses)	1,303,812	1,364,385
Revenues in Excess of (Less Than) Expenses	(18,230)	897,234
Net Position, Beginning of the Year	5,004,742	4,107,508
Net Position, End of Year	$ 4,986,512	$ 5,004,742

	2023	2022
Operating Activities		
Receipts from and on behalf of patients	$ 15,220,805	$ 14,545,476
Payments to suppliers and contractors	(9,322,874)	(8,948,816)
Payments to and on behalf of employees	(8,578,438)	(7,899,886)
Other receipts and payments, net	2,044,690	2,439,180
Net Cash from (used for) Operating Activities	(635,817)	135,954
Noncapital Financing Activities		
Other noncapital grants and gifts	33,588	21,197
Proceeds from line of credit	110,263	-
Payment on line of credit	(4,219)	(793,571)
Payment of interest on notes payable	(1,768)	(23,808)
Payment on CMS advance payments	(871,591)	(1,840,383)
Proceeds from grants and contributions-Provider Relief Funds	-	997,128
Sales tax	621,402	618,836
Net Cash used for Noncapital Financing Activities	(112,325)	(1,020,601)
Capital and Capital Related Financing Activities		
Purchase of property and equipment	(761,931)	(196,530)
Principal payments of long-term debt	(41,328)	(51,028)
Payment of interest on long-term debt	(10,040)	(19,479)
Principal payments of right to use lease liabilities	(151,736)	(150,063)
Payment of interest on right to use lease liabilities	(18,673)	(29,189)
Net Cash used for Capital and Capital Related Financing Activities	(983,708)	(446,289)
Investing Activities		
Purchase of investments	(5,864)	(1,895)
Interest from investments	11,069	12,166
Net Cash from Investing Activities	5,205	10,271
Net Change in Cash and Cash Equivalents	(1,726,645)	(1,320,665)
Cash and Cash Equivalents, Beginning of Year	2,306,524	3,627,189
Cash and Cash Equivalents, End of Year	$ 579,879	$ 2,306,524

	2023	2022
Reconciliation of Operating Loss to Net Cash from (used) for Operating Activities		
Operating loss	$ (1,322,042)	$ (467,151)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation and amortization	658,356	610,972
Provision for bad debts	1,158,982	1,255,129
Changes in assets and liabilities		
Receivables		
Patients	(1,260,494)	(1,572,807)
Other	(101,647)	94,745
Supplies	25,563	47,558
Prepaid expenses	(74,529)	(111,678)
Accounts payable	48,350	(376,084)
Estimated third-party payor settlements	233,230	277,768
Accrued expenses	(1,586)	377,502
Net Cash from (used for) Operating Activities	$ (635,817)	$ 135,954

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Holdenville 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

Holdenville General Hospital (Hospital) is leased from the City of Holdenville, Oklahoma, to the Holdenville Hospital Authority (Authority). The Authority is a public trust created under Title 60, Oklahoma Statute for the benefit of residents of Holdenville, Oklahoma, the beneficiaries of the trust. The Authority is empowered to provide physical facilities, improvements, and services for the purpose of providing public health care. The Hospital provides inpatient, outpatient, emergency care, and rural health clinics for residents of Holdenville, Oklahoma. Admitting physicians are primarily practitioners in the local area. The Trustees of the Authority consist of city council members. The Trustees have created a separate Hospital Board to oversee the operations of the Hospital. The Trustees retain the right to appoint members of the Hospital Board as vacancies occur.

The Authority, located in Holdenville, Oklahoma, is a 25-bed critical access hospital and primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Holdenville, Oklahoma, area. The Authority operates physician clinics in the same geographic area.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. The Authority does not have a component unit which meets the GASB criteria.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

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

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. The Authority had no restricted, expendable net position at June 30, 2023 and 2022.

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

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

Restricted Cash

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

Short-term Investments

Short-term investments include certificates of deposit with an original maturity date of three to twelve months. Certificates of deposit are recorded at historical cost and held as collateral on the Authority's line of credit agreements (Note 7).

Patient Receivables

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

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

Sales Tax

Effective July 1, 2015, the citizens of Holdenville, Oklahoma, approved a 1% sales tax for the support of the Authority for a period of 5 years. The sales tax was renewed for an additional two-year period in March 2020 and April 2022 and will expire July 1, 2024. The City of Holdenville collects the sales tax and remits it monthly to the Authority. Revenue from sales tax is recognized in the year in which the sales tax is earned. The Authority received approximately 3% and 4% of its financial support from county appropriations related to sales tax in 2023 and 2022, respectively. These funds were used for operations, maintenance, and improvement of the Authority and its facilities.

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

Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

The estimated useful lives of capital assets are as follows:

Buildings and improvements	5-40 years
Equipment	5-15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from operations. 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.

Noncurrent Investments and Investment Income

Noncurrent investments include certificates of deposit with a maturity date greater than twelve months. Certificates of deposit are recorded at historical cost and interest income is reported in nonoperating revenues when earned.

Compensated Absences

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

Operating Revenues and Expenses

The Authority’s statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Authority result from exchange transactions associated with providing health care services - the Authority’s principal activity, and the costs of providing those services, including depreciation and 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 revenue. The amounts of charges foregone for services provided under the Authority's charity care policy were approximately $84,000 and $54,000 for the years ended June 30, 2023 and 2022. Total direct and indirect costs related to these foregone charges were approximately $42,000 and $27,000 at June 30, 2023 and 2022, based on an average ratio of cost to gross charges.

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 non-operating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

Implementation of GASB Statement No. 96

As of July 1, 2022, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. As of June 30, 2023, 2022 and 2021, the Authority did not have any SBITAs which were required to be recognized under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*.

Note 2 - Net Patient Service Revenue

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

Medicare: The Authority is licensed as a Critical Access Hospital (CAH). The Authority is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Authority and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended June 30, 2021.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge or established fee schedules.

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:

	2023	2022
Medicare	42%	43%
Medicaid	19%	17%
Other third-party payors	36%	36%
Self pay	3%	4%
	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 June 30, 2023 and 2022, decreased approximately $241,000 and $169,000, respectively, 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.

CMS Advanced Payment

The CMS Advanced Payment balance consists of the remaining unpaid advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Authority received $2,990,022 in advanced payments during April 2020. The Authority's CMS Advance Payment obligation have been fully recouped or repaid during the year ended June 30, 2023.

Note 3 - Deposits

The carrying amounts of deposits as of June 30, 2023 and 2022 were $1,357,860 and $3,078,641.

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

	2023	2022
Cash and cash equivalents	$ 579,879	$ 1,638,290
Restricted cash for Provider Relief Funds	-	668,234
Short-term investments	436,970	433,367
Noncurrent investments	341,011	338,750
	$ 1,357,860	$ 3,078,641

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. State statutes require that investments be made only in U.S. government obligations and that all bank balances are protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance or bonds.

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.

Investment Income

Investment income on cash and other investments consists primarily of interest from certificates of deposit for the years ended June 30, 2023 and 2022.

Note 4 - Provider Relief Funds

The Authority received $-0- and $997,128 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 deadlines for incurring eligible expenses and lost revenues, varying based on the date the Authority received the funds. Unspent funds will be expected to be repaid.

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

As of June 30, 2023 and 2022, the Authority had a liability of $-0- and $668,234, which were included in current liabilities on the accompanying statements of net position under refundable advance – Provider Relief Fund, as well as restricted cash totaling $-0- and $668,234, which are subject to the restrictions imposed by HHS. During the years ended June 30, 2023 and 2022, the Authority recognized $667,591 and $728,894 as revenue, included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

Note 5 - Capital Assets

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

	Balance June 30, 2022	Additions	Transfers and Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 33,919	$ -	$ -	$ 33,919
Capital assets being depreciated				
Buildings and improvements	$ 3,765,639	$ 123,591	$ -	$ 3,889,230
Equipment	4,916,029	638,340	-	5,554,369
Total depreciable capital assets	8,681,668	$ 761,931	$ -	9,443,599
Less accumulated depreciation for				
Buildings and improvements	(2,440,515)	$ (175,284)	$ -	(2,615,799)
Equipment	(3,675,839)	(344,548)	-	(4,020,387)
Total accumulated depreciation	(6,116,354)	$ (519,832)	$ -	(6,636,186)
Net capital assets being depreciated	$ 2,565,314			$ 2,807,413
Capital assets, net	$ 2,599,233			$ 2,841,332

Right to use leased 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
Right to use leased assets being amortized				
Right to use leased equipment	$ 781,518	$ -	$ -	$ 781,518
Less accumulated amortization for				
Right to use leased equipment	407,164	$ 138,524	$ -	545,688
Net right to use leased assets	$ 374,354			$ 235,830

Capital assets additions, retirements, 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	$ 33,919	$ -	$ -	$ 33,919
Capital assets being depreciated				
Buildings and improvements	$ 3,765,639	$ -	$ -	$ 3,765,639
Equipment	4,719,499	196,530	-	4,916,029
Total depreciable capital assets	8,485,138	$ 196,530	$ -	8,681,668
Less accumulated depreciation for				
Buildings and improvements	(2,264,702)	$ (175,813)	$ -	(2,440,515)
Equipment	(3,393,778)	(282,061)	-	(3,675,839)
Total accumulated depreciation	(5,658,480)	$ (457,874)	$ -	(6,116,354)
Net capital assets being depreciated	$ 2,826,658			$ 2,565,314
Capital assets, net	$ 2,860,577			$ 2,599,233

Right to use leased assets additions, retirements 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
Right to use leased assets being amortized				
Right to use leased equipment	$ 781,518	$ -	$ -	$ 781,518
Less accumulated amortization for				
Right to use leased equipment	254,066	$ 153,098	$ -	407,164
Net right to use leased assets	$ 527,452			$ 374,354

Note 6 - Lease Obligations

The Authority has entered into lease agreements for medical equipment. The Authority is required to make principal and interest payments through November 2025. The lease liability was valued using stated and discount rates between 5.5% and 10.4% based on the Authority's incremental borrowing rate at the inception of the leases.

Right to use liabilities additions, payments and balances for the years ended June 30, 2023 and 2022 are as follows:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Right to use asset obligations					
Liabilities for right to use assets	$ 369,008	$ -	$ (151,736)	$ 217,272	$ 140,144

	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Due Within One Year
Right to use asset obligations					
Liabilities for right to use assets	$ 519,071	$ -	$ (150,063)	$ 369,008	$ 153,749

As of June 30, 2023 the value of the lease liabilities were $217,272 and consisted of the following for right to use liabilities:

- Right to use medical equipment the value of the lease liability was $49,123 at June 30, 2023. The Authority is required to make monthly principal and interest payments of $2,525 through March 2025. The lease has an interest rate of 6%.
- Right to use CT scanner the value of the lease liability was $78,581 at June 30, 2023. The Authority is required to make monthly principal and interest payments of $4,833 through November 2024. The lease liability was valued using a discount rate of 6% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of $1 at the end of the agreement.
- Right to use medical equipment the value of the lease liability was $12,218 at June 30, 2023. The Authority is required to make monthly principal and interest payments of $675 through January 2025. The lease liability was valued using a discount rate of 6% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of $1 at the end of the agreement.
- Right to use medical equipment the value of the lease liability was $45,506 at June 30, 2023. The Authority is required to make monthly principal and interest payments of $2,413 through December 2024. The lease liability was valued using a discount rate of 6% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of $1 at the end of the agreement. In addition, the agreement contains a product purchase with a remaining commitment of $18,991.
- Two right to use copier agreements the value of the lease liabilities were $18,969 and $12,875 at June 30, 2023. The Authority is required to make monthly principal and interest payments of $1,232 and $496 through October 2024 and November 2025, respectively. The lease liabilities were valued using a discount rate of 5.5% based on the Authority's incremental borrowing rate. The leases contain a lease purchase option of $1 at the end of each agreement.

Right to use leased asset obligations maturities are as follows:

	Leases Payable	
Years Ending June 30,	Principle	Interest
2024	$ 140,144	$ 8,989
2025	74,078	1,601
2026	3,050	31
Total	$ 217,272	$ 10,621

Note 7 - Line of Credit and Long-Term Debt

A schedule of changes in the Authority's line of credit for June 30, 2023 and 2022 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Line of credit (1)	$ -	$ 110,263	$ 4,219	$ 106,044	$ 26,093

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Line of credit	$ 793,571	$ -	$ 793,571	$ -	$ -

(1) Line of credit in the amount of $110,263, 4.23% interest rate, due April 10, 2025, secured by certificate of deposit.

A schedule of changes in the Authority's long-term debt for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Amounts Due Within One Year
Notes from Direct Borrowings					
Note payable to bank (2)	$ 54,991	$ -	$ 22,658	$ 32,333	$ 24,012
Note payable to bank (3)	33,735	-	8,116	25,619	8,585
Note payable to bank (4)	36,232	-	10,554	25,678	12,435
Total	$ 124,958	$ -	$ 41,328	$ 83,630	$ 45,032

A schedule of changes in the Authority's long-term debt for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Forgiveness/ Payments	Balance June 30, 2022	Amounts Due Within One Year
Notes from Direct Borrowings					
Note payable to bank	$ 10,315	$ -	$ 10,315	$ -	$ -
Note payable to bank (2)	76,370	-	21,379	54,991	22,658
Note payable to bank (3)	41,415	-	7,680	33,735	8,120
Note payable to bank (4)	47,886	-	11,654	36,232	12,435
Total	$ 175,986	$ -	$ 51,028	$ 124,958	$ 43,213

(2) Note payable to bank due on demand. If no demand is made under an agreement with the bank the Authority is making monthly payments of $2,106 including interest at 5.75% based on a 60-month amortization schedule due October 15, 2024, secured by equipment.
(3) Note payable to bank, 5.50% interest rate, due in monthly installments of $816 including interest, due April 12, 2026, secured by equipment.
(4) Note payable to finance company, 6.50% interest rate, due in monthly installments of $1,201 including interest, due March 1, 2025, secured by equipment.

Long-term debt maturities are as follows:

	Notes from Direct Borrowings	
Years Ending June 30,	Principal	Interest
2024	$ 45,032	$ 3,625
2025	30,639	1,110
2026	7,959	205
Total	$ 83,630	$ 4,940

Note 8 - Pension Plan

The Authority has a defined contribution pension plan under which employees become participants upon completion of one full year of service. The Authority does not make contributions to the plan.

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 for third party payors and patients at June 30, 2023 and 2022 was as follows:

	2023	2022
Medicare	34%	30%
Medicaid	10%	12%
Commercial and other third-party payors	39%	37%
Self pay	17%	21%
	100%	100%

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

Litigation, Claims, and Disputes

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

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity 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 - Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds for the state of Oklahoma from federal sources. The SHOPP is currently set to sunset on December 31, 2025. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. As a critical access hospital, the Authority is exempt from the assessment fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the Authority.

The Authority received $1,129,306 and $986,442, in SHOPP payments included in net patient service revenue, for the years ended June 30, 2023 and 2022.

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

Supplementary Information
June 30, 2023 and 2022

Holdenville Hospital Authority

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Board of Trustees
Holdenville Hospital Authority
Holdenville, Oklahoma

We have audited the financial statements of Holdenville Hospital Authority as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon dated December 18, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The schedules of net patient service revenue, other revenue, and other expenses as of June 30, 2023 and 2022 on pages 30 through 33 are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 18, 2023

What inspires you, inspires us. | eidebailly.com

621 N. Robinson Ave., Ste. 200 | Oklahoma City, OK 73102-6232 | T 405.594.2000 | F 405.594.2053 | EOE

	2023	2022
Daily Patient Services		
Medical and surgical	$ 8,593,288	$ 7,814,546
Clinic	1,894,375	1,803,641
	10,487,663	9,618,187
Other Nursing Services		
Central service supplies	386,686	604,526
Emergency services	7,062,256	5,495,032
Operating and recovery rooms	504,257	668,446
	7,953,199	6,768,004
Other Professional Services		
Laboratory	4,622,557	4,456,352
Occupational therapy	372,923	278,964
Pharmacy	2,916,395	2,896,059
Physical therapy	960,624	906,751
Radiology	5,173,364	4,314,495
Respiratory therapy	260,018	199,576
Dialysis	36,000	-
Speech therapy	13,049	33,364
	14,354,930	13,085,561
Charity Care	(84,188)	(53,902)
Total patient service revenue	32,711,604	29,417,850
Reductions from Revenue		
Contractual adjustments	(16,463,535)	(13,577,335)
Provision for bad debts	(1,158,982)	(1,255,129)
Total reductions from revenue	(17,622,517)	(14,832,464)
Net Patient Service Revenue	$ 15,089,087	$ 14,585,386

	2023	2022
Other Revenue		
Drug pricing program	$ 2,050,824	$ 2,216,020
Cafeteria	15,244	12,395
Miscellaneous	80,269	116,020
Total Other Revenue	$ 2,146,337	$ 2,344,435

	2023		
	Salaries	Other	Total
Nursing Services			
Medical and surgical	$ 1,966,572	$ 1,242,748	$ 3,209,320
Clinic	1,916,013	462,273	2,378,286
Central service supplies	64,228	57,081	121,309
Emergency services	819,842	1,414,401	2,234,243
Operating and recovery rooms	171,189	369,516	540,705
	$ 4,937,844	$ 3,546,019	$ 8,483,863
Other Professional Services			
Laboratory	$ 631,429	$ 494,734	$ 1,126,163
Pharmacy	94,524	1,508,846	1,603,370
Physical therapy	309,288	95,144	404,432
Radiology	484,677	477,274	961,951
Respiratory therapy	126,341	197,023	323,364
	$ 1,646,259	$ 2,773,021	$ 4,419,280
General Services			
Dietary	$ 208,259	$ 99,572	$ 307,831
Environmental	191,192	87,435	278,627
Health information technology	166,341	104,742	271,083
Plant operations	108,484	376,481	484,965
	$ 674,276	$ 668,230	$ 1,342,506
Administrative Services			
Administrative and office	$ 901,606	$ 2,334,988	3,236,594
Employee benefits	416,867	-	416,867
	$ 1,318,473	$ 2,334,988	$ 3,653,461
Depreciation and amortization	$ -	658,356	$ 658,356

	2022		
	Salaries	Other	Total
Nursing Services			
Medical and surgical	$ 1,930,016	$ 1,063,988	$ 2,994,004
Clinic	1,986,603	550,513	2,537,116
Central service supplies	55,767	10,399	66,166
Emergency services	818,365	1,325,694	2,144,059
Operating and recovery rooms	154,608	394,659	549,267
	$ 4,945,359	$ 3,345,253	$ 8,290,612
Other Professional Services			
Laboratory	$ 607,588	$ 519,703	$ 1,127,291
Pharmacy	84,128	1,512,913	1,597,041
Physical therapy	200,385	131,707	332,092
Radiology	478,994	485,059	964,053
Respiratory therapy	138,134	156,957	295,091
	$ 1,509,229	$ 2,806,339	$ 4,315,568
General Services			
Dietary	$ 136,930	$ 75,766	$ 212,696
Environmental	128,327	86,028	214,355
Health information technology	156,817	49,229	206,046
Plant operations	100,561	228,192	328,753
	$ 522,635	$ 439,215	$ 961,850
Administrative Services			
Administrative and office	$ 899,130	$ 1,917,805	$ 2,816,935
Employee benefits	401,035	-	401,035
	$ 1,300,165	$ 1,917,805	$ 3,217,970
Depreciation and amortization	$ -	$ 610,972	$ 610,972

CPAs & BUSINESS ADVISORS

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

The Board of Trustees
Holdenville Hospital Authority
Holdenville, 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 Holdenville 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 18, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 through 2023-003 that we consider to be significant deficiencies.

621 N. Robinson Ave., Ste. 200 | Oklahoma City, OK 73102-6232 | T 405.594.2000 | F 405.594.2053 | EOE

Report on Compliance and Other Matters

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

Authority's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Oklahoma City, Oklahoma
December 18, 2023

Significant Deficiencies 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 U.S. generally accepted accounting principles (GAAP).

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

Cause: This weakness is due to the limited resources in the financial reporting process due to budgetary constraints. In addition, there is no established review process.

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

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 prepare the financial statements internally.

Views of Responsible Officials: We agree with the Auditor's Recommendation to obtain the maximum internal control over financial reporting under the circumstances to enable staff to draft the financial statements internally. Given the complex and constantly changing nature of financial reporting requirements, we believe that better results can be achieved by continuing to utilize the expertise of our outside auditors regarding these matters.

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 the Authority has limited staff completing incompatible accounting functions due to the size of the entity. The Chief Financial Officer prepares journal entries and also has access to assets and reconciling responsibilities. There is no review of journal entries prepared by the Chief Financial Officer.

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

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

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

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

2023-003 Cash Reconciliations

Criteria: A properly designed system of internal control over bank reconciliations allows reconciling items to be promptly investigated and adjusted with adequate explanations in a timely manner.

Condition: During the course of our engagement, there were numerous variances included in the cash reconciliations that were not investigated and recorded in the general ledger.

Cause: The Authority utilizes an independent contractor to prepare bank reconciliations. However, there were variances noted in the daily deposits that were not properly investigated and recorded in the general ledger.

Effect: Interim financial statements may not be properly stated as reconciling items are not posted to the general ledger.

Auditor's Recommendation: In order to maintain accurate financial statements, we recommend management review the reconciliations and investigate deposit variances prior to final monthly close.

Views of Responsible Officials: Management will develop a process to reconcile cash accounts and investigate variances.