



Financial Statements  
June 30, 2023

Leflore County Hospital Authority  
A Component Unit of LeFlore County,  
Oklahoma

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
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June 30, 2023

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## Independent Auditor's Report

Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, Oklahoma

### Report on Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Leflore County Hospital Authority, a Component Unit of LeFlore County, Oklahoma (Authority), as of and for the year then ended June 30, 2023, 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 financial position of the Authority, as of June 30, 2023, and the changes in its net financial position and its cash flows for the year 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.

#### ***Adoption of New Accounting Standard***

As discussed in Notes 1 and 15 to the financial statements, the Authority has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which has resulted in a restatement of the net position as of July 1, 2022. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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***

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 opinion on the basic financial statements is not affected by the missing information.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2024 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma  
February 19, 2024

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Net Position  
June 30, 2023

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Assets

Current Assets

Cash and cash equivalents	\$ 5,311,929
Restricted for debt service	127,640
Receivables	
Patient, net of estimated uncollectibles of approximately \$1,951,000	3,098,165
Sales tax	387,434
Other	86,981
Inventories	392,954
Prepaid expenses	271,909
	9,677,012
Total current assets	9,677,012

Capital Assets

Capital assets not being depreciated	1,093,797
Capital assets being depreciated, net	5,864,148
Right to use leased assets, net of accumulated amortization	1,125,773
Right to use subscription IT assets, net of accumulated amortization	976,071
	9,059,789
Total capital assets	9,059,789
Total assets	\$ 18,736,801

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Net Position  
June 30, 2023

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Liabilities and Net Position (Deficit)

Current Liabilities

Current maturities of long-term debt	\$ 441,038
Current maturities of right to use lease liabilities	541,710
Current maturities of right to use subscription IT liabilities	408,019
Accounts payable	
Trade	1,198,854
Interest	60,760
Estimated third party-payor settlements	929,853
Accrued expenses	<u>1,036,825</u>
Total current liabilities	<u>4,617,059</u>

Non-Current Liabilities

Long-term debt, less current maturities	13,803,222
Right to use lease liabilities, net of current maturities	1,009,590
Right to use subscription IT liabilities, net of current maturities	<u>604,428</u>
Total non-current liabilities	<u>15,417,240</u>

Total liabilities	<u>20,034,299</u>
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Net Position (Deficit)

Net investment in capital assets	(5,055,329)
Restricted - expendable for debt service	127,640
Unrestricted	<u>3,630,191</u>
Total net position (deficit), as restated	<u>(1,297,498)</u>
Total liabilities and net position (deficit)	<u>\$ 18,736,801</u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Revenues, Expenses and Changes in Net Position (Deficit)  
Year Ended June 30, 2023

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Operating Revenues	
Net patient service revenue (net of provision for bad debts of \$3,837,425)	\$ 21,224,248
Other revenue	698,605
Total operating revenues	<u>21,922,853</u>
Operating Expenses	
Salaries and wages	12,079,208
Employee benefits	2,361,394
Professional fees and purchased services	2,849,322
Supplies	3,919,952
Other	1,626,465
Depreciation and amortization	2,034,843
Total operating expenses	<u>24,871,184</u>
Operating Loss	<u>(2,948,331)</u>
Nonoperating Revenues (Expenses)	
Investment income	32,463
Interest expense	(930,687)
Sales tax income	2,355,996
Provider Relief Funds	333,887
Net nonoperating revenues	<u>1,791,659</u>
Expenses in Excess of Revenues and Change in Net Position (Deficit)	(1,156,672)
Net Deficit, Beginning of Year, as restated	<u>(140,826)</u>
Net Deficit, End of Year	<u><u>\$ (1,297,498)</u></u>



Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Cash Flows  
Year Ended June 30, 2023

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Operating Activities	
Receipts from and on behalf of patients	\$ 22,137,482
Payments to suppliers and contractors	(8,326,040)
Payments to and on behalf employees	(14,371,440)
Other receipts and payments, net	<u>686,547</u>
Net Cash from Operating Activities	<u>126,549</u>
Noncapital Financing Activities	
Sales taxes received	2,317,048
Noncapital grants	(261,068)
Recoupments of CMS advance payments	<u>(1,241,453)</u>
Net Cash from Noncapital Financing Activities	<u>814,527</u>
Capital and Capital Related Financing Activities	
Principal payments on long-term debt	(419,488)
Principal payments on right to use lease liabilities	(565,559)
Principal payments on right to use subscription IT liabilities	(394,465)
Interest payments on long-term debt	(864,428)
Interest payments on right to use lease liabilities	(26,422)
Interest payments on right to use subscription IT liabilities	(39,837)
Purchase of capital assets	<u>(815,504)</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(3,125,703)</u>
Net Cash from Investing Activities	
Investment income	<u>32,463</u>
Net Change in Cash and Cash Equivalents	(2,152,164)
Cash and Cash Equivalents, Beginning of Year	<u>7,591,733</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,439,569</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and cash equivalents	\$ 5,311,929
Restricted for debt service	<u>127,640</u>
Total cash and cash equivalents	<u>\$ 5,439,569</u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Statement of Cash Flows  
Year Ended June 30, 2023

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Reconciliation of Operating Loss to Net Cash from	
Operating Activities	
Operating loss	\$ (2,948,331)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	2,034,843
Provision for bad debts	3,837,425
Changes in assets and liabilities	
Patient receivables	(4,103,769)
Other receivables	(12,058)
Inventories	56,794
Prepaid expense	(51,501)
Accounts payable	64,406
Estimated third-party payor settlements	1,179,578
Accrued expenses	69,162
	<hr/>
Net Cash from Operating Activities	<u>\$ 126,549</u>
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities	
Right to use subscription IT assets obtained through subscription IT liabilities	<u>\$ 19,850</u>

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

The financial statements of the Leflore County Hospital Authority (Authority) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

**Reporting Entity**

The Authority was created under a trust indenture dated June 30, 1976, as a public trust under provisions of Title 60 of the Oklahoma Statutes for the benefit of the citizens of Leflore County, Oklahoma. The Authority is a component unit of Leflore County, Oklahoma.

The Eastern Oklahoma Medical Center (Hospital) is owned by Leflore County, Oklahoma, however, under terms of an agreement dated June 30, 1976 operations of the facility are being utilized by the Leflore County Hospital Authority for an initial term of fifty years. Consideration for use of the facilities is the installation and construction of improvements under terms of the agreement. The Hospital is a 25-bed critical access care hospital located in Poteau, Oklahoma. Leflore County Hospital Authority primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Poteau, Oklahoma area. The Hospital operates three 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.

**Blended Component Unit**

The Leflore County Sales Tax Supported Hospital Authority (Sales Tax Authority) is a public trust created October 6, 2014 pursuant to Title 60 Oklahoma Statutes. The purpose of the Sales Tax Authority is to manage and account for the ½ cent sales tax passed by the citizens of Leflore County, Oklahoma on August 26, 2014. The stated purpose of that tax was for the operations and debt service needs of the Hospital and related clinics operated by the Authority. The Sales Tax Authority is included as a blended component unit of the Authority. The financial statements include only the financial activity of the Hospital and Sales Tax Authority, collectively referred to as the Authority.

### **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 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:*

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

*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.

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

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

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding restricted cash. For purposes of the statement of cash flows, the Authority considers all cash with a 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 statement of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

### **Patient Receivables**

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

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

### **Sales Tax**

On August 26, 2014, the citizens of Leflore County, Oklahoma passed a ½ cent sales tax with no expiration date designed for operations and debt service of the Sales Tax Authority. The Authority received approximately 10% of its financial support from county appropriations related to sales taxes during the year ended June 30, 2023.

### **Inventories**

Inventories are stated at lower of cost (first-in, first-out) or net realizable value and are expensed when used.

### **Investment Income**

Investment income on cash and cash equivalents consists primarily of interest from deposits.

### Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method.

The estimated useful lives of capital assets are as follows:

Land improvements	10 years
Building and improvements	20-40 years
Equipment	3-20 years

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 7 years.

Right to use subscription based information technology arrangement (SBITA) assets are recognized at the subscription commencement date and represent the Authority's right to use the underlying IT asset for the subscription term. Right to use SBITA assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use SBITA assets are amortized over the shorter of the subscription term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 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.

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

### **Net Patient Service Revenue**

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates, 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 its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$19,000 for the year ended June 30, 2023. Total direct and indirect cost related to those forgone charges were approximately \$9,000 for the year ended June 30, 2023, based on average ratios of cost to gross charges. The amount of charity care given depends on the number of patients that apply for charity care during the year and the cost of services provided.

### **Grants and Contributions**

The Authority may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

### **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 IT asset -an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard are included in Notes 5 and 7.

### **Note 2 - Net Patient Service Revenue**

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

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

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

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



Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the year ended June 30, 2023:

Medicare	30%
Medicaid	27%
Commercial insurance	38%
Self pay and other	5%
	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.

**Note 3 - Deposits**

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

Carrying Amount	
Cash Deposits in Banks	\$ 5,439,569

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

Cash and cash equivalents	\$ 5,311,929
Restricted for debt service	127,640
	\$ 5,439,569

**Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. Statutes also require that the market value of the collateral be at least 100% of the excess deposits. The Authority's deposit policy does not further restrict bank deposits or limit investment deposits.

As of June 30, 2023, \$228,167 of the Authority's bank balance of \$6,086,527 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 228,167
Insured and collateral held by pledging bank's trust department in the Authority's name	<u>5,858,360</u>
	<u><u>\$ 6,086,527</u></u>

**Note 4 - Provider Relief Funds**

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

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

During the year ended June 30, 2023, the Authority recognized \$333,887 as revenue included as nonoperating revenues on the statement of revenues, expenses and changes in net position for funds received during the year ended June 30, 2022.

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2023

**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 (Restated)	Additions	Transfers and Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 525,133	\$ -	\$ -	\$ 525,133
Construction in progress	174,235	541,473	(147,044)	568,664
Total capital assets not being depreciated	<u>\$ 699,368</u>	<u>\$ 541,473</u>	<u>\$ (147,044)</u>	<u>\$ 1,093,797</u>
Capital assets being depreciated				
Land improvements	\$ 184,827	\$ 31,400	\$ -	\$ 216,227
Building and improvements	27,704,549	24,900	147,044	27,876,493
Equipment	18,000,891	217,730	-	18,218,621
Total capital assets being depreciated	<u>45,890,267</u>	<u>\$ 274,030</u>	<u>\$ 147,044</u>	<u>46,311,341</u>
Less accumulated depreciation for				
Land improvements	(109,378)	\$ (10,653)	\$ -	(120,031)
Building and improvements	(21,231,644)	(798,861)	-	(22,030,505)
Equipment	(18,097,346)	(199,311)	-	(18,296,657)
Total accumulated depreciation	<u>(39,438,368)</u>	<u>\$ (1,008,825)</u>	<u>\$ -</u>	<u>(40,447,193)</u>
Net capital assets being depreciated	<u>\$ 6,451,899</u>			<u>\$ 5,864,148</u>
Right to use leased assets being amortized				
Right to use leased equipment	\$ 2,984,829	\$ -	\$ -	\$ 2,984,829
Right to use leased Office equipment	115,746	-	-	115,746
Right to use leased facilities	159,153	-	-	159,153
Total right to use leased assets being amortized	<u>3,259,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,259,728</u>
Less accumulated amortization for				
Right to use leased equipment	\$ (1,451,862)	\$ (548,628)	\$ -	(2,000,490)
Right to use leased Office equipment	(43,990)	(23,149)	-	(67,139)
Right to use leased facilities	(13,265)	(53,061)	-	(66,326)
Total accumulated amortization	<u>(1,509,117)</u>	<u>\$ (624,838)</u>	<u>\$ -</u>	<u>(2,133,955)</u>
Net right to use leased assets	<u>\$ 1,750,611</u>			<u>\$ 1,125,773</u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2023

	Balance June 30, 2022 (Restated)	Additions	Transfers and Retirements	Balance June 30, 2023
Right to use Subscription IT Assets Being Amortized	\$ 2,023,914	\$ 19,851	\$ -	\$ 2,043,765
Less Accumulated Amortization	(666,514)	(401,180)	-	(1,067,694)
Net right to use leased assets	<u>\$ 1,357,400</u>	<u>\$ (381,329)</u>	<u>\$ -</u>	<u>\$ 976,071</u>
Capital assets, net	<u>\$ 10,259,278</u>			<u>\$ 9,059,789</u>

Construction in progress at June 30, 2023, represents various remodel and flooring projects. Total expected cost of the projects are approximately \$700,000 which is being financed with internal funds. The projects will be completed throughout the year ending June 30, 2024.

#### Note 6 - Lease Obligations

The Authority has entered into lease agreements for medical equipment, office equipment and facilities. The Authority is required to make principal and interest payments through November 2027. The lease liability was valued using stated and discount rates between 0.37% and 7.27% based on the Authority's incremental borrowing rate at the inception of the leases.

Right to use leased obligations additions, payments, and balances for the year ended June 30, 2023 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 medical equipment	\$ 1,902,362	\$ -	\$ (495,784)	\$ 1,406,578	\$ 472,615
Liabilities for right to use office equipment	67,865	-	(23,258)	44,607	15,100
Liabilities for right to use facilities	146,632	-	(46,517)	100,115	53,995
Total liabilities for right to use assets	<u>\$ 2,116,859</u>	<u>\$ -</u>	<u>\$ (565,559)</u>	<u>\$ 1,551,300</u>	<u>\$ 541,710</u>

As of June 30, 2023, the value of the lease liabilities were \$1,551,300 and leased assets are \$1,125,773.

Liabilities for right to use medical equipment with a value of the lease liabilities of \$1,406,578 at June 30, 2023 consisted of the following:

- Right to use medical equipment with a lease liability value of \$41,989. The Authority is required to make monthly principal and interest payments of \$3,450 through June 2024. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of \$141,428. The Authority is required to make monthly principal and interest payments of \$7,558 through November 2024. The lease liability has an interest rate of 0.37%. The lease contains a fair market purchase option at the conclusion of the lease.

- Right to use medical equipment with a lease liability value of \$16,514. The Authority is required to make monthly principal and interest payments of \$1,044 through November 2024. The lease liability was valued using a discount rate of 7.27% based on the Authority's incremental borrowing rate. The lease contains a bargain purchase option at the conclusion of the lease.
- Right to use medical equipment with a lease liability value of \$797,623. The Authority is required to make monthly principal and interest payments of \$16,500 through December 2027. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate.
- Right to use medical equipment with a lease liability value of \$132,169. The Authority is required to make monthly principal and interest payments of \$2,924 with 5 successive one-year options to renew through May 2027. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The Authority has the option to acquire title at the conclusion of the agreement.
- Right to use medical equipment with a lease liability value of \$16,616. The Authority is required to make monthly principal and interest payments of \$1,259 with 3 successive one-year options to renew through July 2024. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The Authority has the option to acquire title at the conclusion of the agreement.
- Right to use medical equipment with a lease liability value of \$117,487. The Authority is required to make monthly principal and interest payments of \$6,093 with 3 successive one-year options to renew through February 2025. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The Authority has the option to acquire title at the conclusion of the agreement.
- Right to use medical equipment with a lease liability value of \$142,752. The Authority is required to make monthly principal and interest payments of \$3,690 through December 2026. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate. The agreement contains a provision for annual purchase commitment of \$78,236.

Liabilities for right to use office equipment consist of multiple agreements, the value of the lease liabilities for office equipment at June 30, 2023 of \$44,607. The Authority is required to make monthly principal and interest payments at varying amounts up to \$13,554 through April 2027. The leases liabilities were valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate, with an option to purchase at fair market value.

Liabilities for right to use facilities with a value of the lease liabilities of \$100,115 at June 30, 2023. The Authority is required to make monthly principal and interest of \$5,450 through April 2025. The lease liability was valued using a discount rate of 3.36% based on the Authority's incremental borrowing rate, with an option to extend three successive periods for one-year terms.

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2023

Remaining principal and interest payments on leases are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 541,710	\$ 50,969
2025	406,980	28,832
2026	272,956	16,021
2027	247,844	7,045
2028	<u>81,810</u>	<u>688</u>
Total	<u>\$ 1,551,300</u>	<u>\$ 103,555</u>

**Note 7 - Subscription-Based Information Technology Arrangements**

The Authority has entered into Subscription-Based Information Technology Arrangements (SBITA) contracts for medical software. The Authority is required to make principal and interest payments through April 2026. The SBITA contracts have interest rates of 3.25% based on the Authority's incremental borrowing rate at the inception of the subscription.

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

	(Restated) Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	<u>Due Within One Year</u>
Subscription IT liabilities	<u>\$ 1,387,062</u>	<u>\$ 19,850</u>	<u>\$ (394,465)</u>	<u>\$ 1,012,447</u>	<u>\$ 408,019</u>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
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Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30	Principal	Interest
2024	\$ 408,019	\$ 26,862
2025	357,535	13,897
2026	246,893	3,686
Total	\$ 1,012,447	\$ 44,445

**Note 8 - Long-Term Debt**

A schedule of changes in the Authority's long-term debt from direct placement and direct borrowings at June 30, 2023 consist of:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Amounts Due Within One Year
Note from Direct Placement	\$ 12,293,632	\$ -	\$ (365,432)	\$ 11,928,200	\$ 381,100
Notes from Direct Borrowings					
Note payable to USDA	2,370,116	-	(54,056)	2,316,060	59,938
Total notes payable	\$ 14,663,748	\$ -	\$ (419,488)	\$ 14,244,260	\$ 441,038

**Note from Direct Placement**

The Sales Tax Authority issued Sales Tax Revenue Note, Series 2018 (Revenue Note) in the original amount of \$13,650,000. The Revenue Note shall bear interest at a fixed rate of 5.75% and will be adjusted every three years. The first scheduled interest rate adjustment was August 1, 2022. The Revenue Note is payable in monthly installments of principal and interest payments with a maturity date of May 2041. The Revenue Note is secured by the sales tax revenues. The Revenue Note requires that certain funds be established with the trustee. Accordingly, these funds are included as current cash held by trustee for debt service in the accompanying statement of net position. The Indenture also requires the Authority to comply with certain restrictive covenants.

**Note Payable to USDA**

The Authority issued a real estate mortgage note payable in the amount of \$3,000,000 at 4.38% in 2006 for the construction of a medical office building. The note is payable in monthly installments of principal and interest of \$13,380 with a maturity date of June 2046. Collateral includes all receipts, revenues, income and other monies received by or on behalf of the Authority. The note requires that certain funds be established with the trustee and requires the Authority to comply with certain restrictive covenants. During 2023, the Authority did not meet the required debt service coverage ratio. The Authority is following the requirements in the loan agreement by hiring a consultant to improve the ratio therefore there is no default of the loan agreement.

Scheduled principal and interest payment on direct placements and direct borrowings are as follows:

Years Ending June 30	Principal	Interest
2024	\$ 441,038	\$ 810,457
2025	469,216	782,439
2026	497,213	754,679
2027	526,736	725,253
2028	556,389	695,709
2029-2033	3,328,137	2,917,113
2034-2038	4,446,737	1,798,292
2039-2043	3,536,766	440,765
2044-2046	442,028	31,130
	\$ 14,244,260	\$ 8,955,837

**Note 9 - Pension Plan**

The Authority has a defined contribution pension plan under which employees become participants upon reaching age 18 and completion of one year of service. Discretionary employer contributions are deposited with the plan trustee who invests the plan assets. Total pension plan expense for the years ended June 30, 2023, 2022 and 2021, was \$144,010, \$144,114 and \$-0-.

**Note 10 - Concentrations of Credit Risk**

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

Medicare	15%
Medicaid	12%
Commercial insurance	35%
Self pay and other	38%
	100%



## **Note 11 - Contingencies**

### **Risk Management**

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

### **Malpractice Insurance**

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

### **Litigations, Claims, and Disputes**

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

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

## **Note 12 - 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 SHOPP funds totaling approximately \$1,889,000 for the year ended June 30, 2023, which are included in net patient service revenue.

SHOPP is expected to be significantly reduced in fiscal year 2024 due to the State of Oklahoma’s shift to managed care Medicaid. In August 2023, the Hospital received \$389,634 as a result of a funding provision in Oklahoma Senate Bill 32x for Hospitals participating in the SHOPP program. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

**Note 13 - Management Agreement**

The Authority has a management service agreement with Tahlequah Hospital Authority. The agreement is for a five-year term. The Authority is to pay \$25,000 per month for the management services. The Authority expensed \$443,890 for management and other consulting services for the year ended June 30, 2023. As of June 30, 2023, the Authority owes Tahlequah Hospital Authority \$25,000.

**Note 14 - Presentation of Blended Component Units**

The following summarizes combining information for the Authority and the Sales Tax Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2023.

Statement of net position as of June 30, 2023:

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Total
<b>Assets</b>			
Current assets	\$ 9,191,941	\$ 485,071	\$ 9,677,012
Capital assets	9,059,789	-	9,059,789
<b>Total assets</b>	<b>\$ 18,251,730</b>	<b>\$ 485,071</b>	<b>\$ 18,736,801</b>
<b>Liabilities</b>			
Current liabilities	\$ 4,175,771	\$ 441,288	\$ 4,617,059
Non-current liabilities	3,870,140	11,547,100	15,417,240
<b>Total liabilities</b>	<b>8,045,911</b>	<b>11,988,388</b>	<b>20,034,299</b>
<b>Net Position</b>			
Net investment in capital assets	4,179,982	(9,235,311)	(5,055,329)
Restricted - expendable for debt service	36,952	90,688	127,640
Unrestricted	5,988,885	(2,358,694)	3,630,191
<b>Total net position (deficit)</b>	<b>10,205,819</b>	<b>(11,503,317)</b>	<b>(1,297,498)</b>
<b>Total liabilities and net position (deficit)</b>	<b>\$ 18,251,730</b>	<b>\$ 485,071</b>	<b>18,736,801</b>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Notes to Financial Statements  
June 30, 2023

Operating results and changes in net position for the year ended June 30, 2023:

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Total
Operating revenues			
Net patient service revenue	\$ 21,224,248	\$ -	\$ 21,224,248
Other revenue	698,605	-	698,605
Total operating revenues	<u>21,922,853</u>	<u>-</u>	<u>21,922,853</u>
Operating expenses			
Depreciation	2,034,843	-	2,034,843
Other operating expenses	22,836,341	-	22,836,341
Total operating expenses	<u>24,871,184</u>	<u>-</u>	<u>24,871,184</u>
Operating loss	(2,948,331)	-	(2,948,331)
Nonoperating revenues	174,823	1,616,836	1,791,659
Revenues in excess of (less than) expenses and change in net position	(2,773,508)	1,616,836	(1,156,672)
Transfers	1,216,000	(1,216,000)	-
Net position (deficit), beginning of year	<u>11,763,327</u>	<u>(11,904,153)</u>	<u>(140,826)</u>
Net position (deficit), end of year	<u>\$ 10,205,819</u>	<u>\$ (11,503,317)</u>	<u>\$ (1,297,498)</u>

Cash flows for the year ended June 30, 2023:

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Total
Net cash from (used for) operating activities	\$ 165,497	\$ (38,948)	\$ 126,549
Net cash from (used for) noncapital financing activities	(325,469)	1,139,996	814,527
Net cash used for capital and capital related financing activities	(2,020,901)	(1,104,802)	(3,125,703)
Net cash from investing activities	<u>32,253</u>	<u>210</u>	<u>32,463</u>
Net change in cash and cash equivalents	(2,148,620)	(3,544)	(2,152,164)
Cash and cash equivalents, beginning of year	<u>7,490,552</u>	<u>101,181</u>	<u>7,591,733</u>
Cash and cash equivalents, end of year	<u>\$ 5,341,932</u>	<u>\$ 97,637</u>	<u>\$ 5,439,569</u>

**Note 15 - Adoption of New Standard**

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 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. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Net Deficit at July 1, 2022, as previously reported	\$ (111,164)
Recognition of right to use SBITA assets	1,357,400
Recognition of SBITA liabilities	<u>(1,387,062)</u>
Net Deficit at July 1, 2022, as restated	<u>\$ (140,826)</u>



Supplementary Information

**Leflore County Hospital Authority**  
A Component Unit of LeFlore County,  
Oklahoma



## Independent Auditor's Report on Supplementary Information

To the Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, Oklahoma

We have audited the financial statements of Leflore County Hospital Authority, a Component Unit of LeFlore County, Oklahoma as of and for the year ended June 30, 2023 and have issued our report thereon dated February 19, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining schedule of statement of net position information and combining schedule of revenues, expenses and changes in net position information are presented for the purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
February 19, 2024

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Combining Schedule – Statement of Net Position Information  
June 30, 2023

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Eliminations	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 5,304,980	\$ 6,949	\$ -	\$ 5,311,929
Restricted for debt service	36,952	90,688	-	127,640
Receivables				
Patient, net	3,098,165	-	-	3,098,165
Sales tax	-	387,434	-	387,434
Other	86,981	-	-	86,981
Inventories	392,954	-	-	392,954
Prepaid expenses	271,909	-	-	271,909
<b>Total current assets</b>	<b>9,191,941</b>	<b>485,071</b>	<b>-</b>	<b>9,677,012</b>
<b>Capital Assets</b>				
Capital assets not being depreciated	1,093,797	-	-	1,093,797
Capital assets being depreciated, net	5,864,148	-	-	5,864,148
Right to use leased assets, net	1,125,773	-	-	1,125,773
Right to use subscription IT assets, net	976,071	-	-	976,071
<b>Total capital assets</b>	<b>9,059,789</b>	<b>-</b>	<b>-</b>	<b>9,059,789</b>
<b>Total assets</b>	<b>\$ 18,251,730</b>	<b>\$ 485,071</b>	<b>\$ -</b>	<b>\$ 18,736,801</b>
<b>Liabilities and Net Position (Deficit)</b>				
<b>Current liabilities</b>				
Current maturities of long-term debt	\$ 59,938	\$ 381,100	\$ -	\$ 441,038
Current maturities of right to use lease liabilities	541,710	-	-	541,710
Current maturities of right to use subscription IT liabilities	408,019	-	-	408,019
Accounts payable				
Trade	1,198,854	-	-	1,198,854
Interest	572	60,188	-	60,760
Estimated third party-payor settlements	929,853	-	-	929,853
Accrued expenses	1,036,825	-	-	1,036,825
<b>Total current liabilities</b>	<b>4,175,771</b>	<b>441,288</b>	<b>-</b>	<b>4,617,059</b>
<b>Non-current liabilities</b>				
Long-term debt, less current maturities	2,256,122	11,547,100	-	13,803,222
Right to use lease liabilities	1,009,590	-	-	1,009,590
Right to use subscription liabilities	604,428	-	-	604,428
<b>Total non-current liabilities</b>	<b>3,870,140</b>	<b>11,547,100</b>	<b>-</b>	<b>15,417,240</b>
<b>Total liabilities</b>	<b>8,045,911</b>	<b>11,988,388</b>	<b>-</b>	<b>20,034,299</b>
<b>Net Position (Deficit)</b>				
Net investment in capital assets	4,179,982	(9,235,311)	-	(5,055,329)
Restricted - expendable for debt service	36,952	90,688	-	127,640
Unrestricted	5,988,885	(2,358,694)	-	3,630,191
<b>Total net position (deficit)</b>	<b>10,205,819</b>	<b>(11,503,317)</b>	<b>-</b>	<b>(1,297,498)</b>
<b>Total liabilities and net position (deficit)</b>	<b>\$ 18,251,730</b>	<b>\$ 485,071</b>	<b>\$ -</b>	<b>\$ 18,736,801</b>

Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma

Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information  
Year Ended June 30, 2023

	LeFlore County Hospital Authority	LeFlore County Sales Tax Supported Hospital Authority	Eliminations	Total
Operating revenues				
Net patient service revenue, net of provision for bad debts	\$ 21,224,248	\$ -	\$ -	\$ 21,224,248
Other revenue	698,605	-	-	698,605
Total operating revenue	<u>21,922,853</u>	<u>-</u>	<u>-</u>	<u>21,922,853</u>
Operating expenses				
Salaries and wages	12,079,208	-	-	12,079,208
Employee benefits	2,361,394	-	-	2,361,394
Professional fees and purchased services	2,849,322	-	-	2,849,322
Supplies	3,919,952	-	-	3,919,952
Other	1,626,465	-	-	1,626,465
Depreciation and amortization	2,034,843	-	-	2,034,843
Total operating expenses	<u>24,871,184</u>	<u>-</u>	<u>-</u>	<u>24,871,184</u>
Operating loss	<u>(2,948,331)</u>	<u>-</u>	<u>-</u>	<u>(2,948,331)</u>
Nonoperating revenues (expenses)				
Sales tax income	-	2,355,996	-	2,355,996
Investment income	32,253	210	-	32,463
Interest expense	(191,317)	(739,370)	-	(930,687)
Provider Relief Funds	333,887	-	-	333,887
Net nonoperating revenues (expenses)	<u>174,823</u>	<u>1,616,836</u>	<u>-</u>	<u>1,791,659</u>
Revenues in Excess of (Less Than) Expenses and Change in Net Position	(2,773,508)	1,616,836	-	(1,156,672)
Transfers	1,216,000	(1,216,000)	-	-
Net Position (Deficit), Beginning of Year as Restated	<u>11,763,327</u>	<u>(11,904,153)</u>	<u>-</u>	<u>(140,826)</u>
Net Position (Deficit), End of Year	<u>\$ 10,205,819</u>	<u>\$ (11,503,317)</u>	<u>\$ -</u>	<u>\$ (1,297,498)</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***

To the Board of Trustees  
Leflore County Hospital Authority  
A Component Unit of LeFlore County, Oklahoma  
Poteau, 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 Leflore County Hospital Authority (Authority), a Component Unit of LeFlore County, Oklahoma, as of and for the year then ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated February 19, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-002.

## **The Authority's Responses to Findings**

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

## **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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oklahoma City, Oklahoma  
February 19, 2024

**2023-001      Preparation of Financial Statements and Schedule of Expenditures of Federal Awards  
Material Weakness in Internal Controls Over Financial Reporting**

*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, as well as the schedule of expenditures of federal awards, 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) 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, as well as the schedule of expenditures of federal awards as required by GAAP and GASB. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, material misstatements to the financial statements, timeliness of monthly reconciliations and implementation of new accounting standard, were identified.

*Cause:* The Authority experienced turn over in the accounting department, and previously considered having the expertise necessary to prepare the financial statements including all disclosures in accordance with GAAP to be costly and ineffective.

*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.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.

**2023-002      Maintenance of Pledged Collateral  
Instance of Noncompliance**

*Criteria:* State law requires collateralization of all deposits in excess of federal depository insurance.

*Condition:* During the course of the audit, it was discovered that the Authority did not have in place adequate pledged collateral in place to secure bank balances exceeding Federal Depository Insurance limits.

*Cause:* The deficiency was caused by a lack of management oversight.

*Effect:* Cash balances which exceed FDIC limits would be at risk of loss in the event of a bank failure.

*Auditor's Recommendation:* We recommend that the Authority obtain proper pledged collateral with the Authority's custodial bank or implement additional controls to monitor balances held in unsecured accounts.

*Views of Responsible Officials:* Management agrees with the auditor's recommendation.