Financial Statements
September 30, 2023 and 2022

Wagoner Hospital Authority, an Oklahoma Trust, d/b/a Wagoner Community Hospital

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Independent Auditor's Report

Board of Trustees
Wagoner Hospital Authority
d/b/a Wagoner Community Hospital
Wagoner, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wagoner Hospital Authority d/b/a Wagoner Community Hospital (Authority) as of and for the years ended September 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 September 30, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

Substantial Doubt About the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 12 to the financial statements, the Authority has suffered recurring losses from operations, has a net deficit, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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
March 27, 2024

This discussion and analysis of the financial performance of Wagoner Hospital Authority d/b/a Wagoner Community Hospital (Authority) provides an overview of the Authority's financial activities and balances for the years ended September 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 by $1,842,167 or 17% in 2023 compared with a decrease during 2022 of $3,150,182 or 23%.
- The Authority's total liabilities increased by $755,573 or 9% in 2023 compared with a decrease during 2022 of $886,163 or 9%.
- The Authority reported an operating loss of $2,556,480, $4,041,849, and $1,150,193 in 2023, 2022 and 2021. The operating loss decreased $1,485,369 or 37% from 2022 to 2023. The operating loss increased $2,891,656 or 251% from 2021 to 2022.

Using This Annual Report

The Authority's financial statements consist of three statements – statements of net position; statements of revenues, expenses and changes in net position; and statements of cash flows. These financial statements and related notes provide information about activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The statements of net position and the statements 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 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 aforementioned 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 operating, 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 the 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 Statements of Net Position and are reflected in Table 1. The Authority's net position decreased by $2,597,740 or 131% in 2023 and decreased by $2,264,019 or 53% in 2022.

Table 1: Statements of Net Position

	2023	2022	2021
Assets			
Current assets	$ 3,155,825	$ 4,086,076	$ 7,521,273
Capital assets, net	5,474,545	6,370,523	6,070,383
Noncurrent assets	263,124	279,062	294,187
Total assets	$ 8,893,494	$ 10,735,661	$ 13,885,843
Liabilities			
Current liabilities	$ 5,334,203	$ 5,613,866	$ 5,529,779
Noncurrent liabilities	4,176,569	3,141,333	4,111,583
Total liabilities	9,510,772	8,755,199	9,641,362
Net Position			
Net investment in capital assets	2,050,555	2,876,428	2,003,032
Unrestricted	(2,667,833)	(895,966)	2,241,449
Total net position (deficit)	(617,278)	1,980,462	4,244,481
Total liabilities and net position	$ 8,893,494	$ 10,735,661	$ 13,885,843

A significant component of the change in the Authority's assets and liabilities is the change in its patient receivables, accrued expenses, accounts payable, estimated third-party payor settlements, and current liabilities.

- Patient receivables decreased $647,798 or 21% in 2023 and decreased $740,437 or 19% in 2022. The 2023 and 2022 decrease is due to a decrease in services provided.
- Accrued expenses decreased $22,425 or 3% in 2022 and decreased $138,131 or 25% in 2021.
- Accounts payable increased $952,378 or 50% in 2023 and increased $963,043 or 103% in 2022 as a result of cash management.

- Estimated third-party payor settlements decreased $159,203 or 23% in 2022 and increased $338,695 or 92% in 2021.
- Current liabilities decreased of $279,663 or 5% in 2023 due to the Authority being approved for an Extended Repayment Schedule on their CMS Advance Payments compared to an increase of $84,087 or 2% in 2022, due to the decrease in refundable advance-Provider Relief Funds.

Table 2: Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022	2021
Operating Revenues			
Net patient service revenue	$ 23,415,396	$ 23,314,063	$24,253,207
Other operating revenue	171,169	173,529	179,026
Total operating revenues	23,586,565	23,487,592	24,432,233
Operating Expenses			
Salaries and wages	12,343,113	12,075,894	10,783,219
Employee benefits	2,151,236	2,223,270	2,054,582
Purchased services and professional fees	4,821,005	5,810,944	5,462,500
Supplies	2,016,154	2,681,372	3,057,168
Depreciation and amortization	1,241,312	1,128,997	1,065,074
Other expenses	3,570,225	3,608,964	3,159,883
Total operating expenses	26,143,045	27,529,441	25,582,426
Operating loss	(2,556,480)	(4,041,849)	(1,150,193)
Nonoperating Revenues (Expenses)			
Investment income	15,646	16,635	5,923
Interest expense	(326,434)	(193,038)	(259,053)
Noncapital contributions	283,884	187,053	96,076
Contribution	-	-	(72,000)
Loss on sale of assets	(14,356)	(137,814)	(34,878)
Provider relief funds	-	1,904,994	1,722,387
PPP forgiveness	-	-	1,810,000
Total nonoperating revenues (expenses)	(41,260)	1,777,830	3,268,455
Change in Net Position	(2,597,740)	(2,264,019)	2,118,262
Net Position, Beginning of Year	1,980,462	4,244,481	2,126,219
Net Position, End of Year	$ (617,278)	$ 1,980,462	$ 4,244,481

Operating Loss

The first component of the overall change in the Authority's net position is its operating income (loss) - generally, the difference between net patient service revenues and the expenses incurred to perform those services.

The operating loss for 2023 decreased by $1,485,369 or 37% as compared to 2022 and the operating loss increased in 2022 by $2,891,656 or 251% compared to 2021. The primary components of the increased operating income are:

- An increase in net patient service revenue of $101,333 or 0.4% as compared to a decrease in 2022 of $939,144 or 4%. The Hospital did have a decrease in services provided, however, there was an increase in 2023 that is attributed to the Authority receiving $1,120,068 as a result of a funding provision in Oklahoma Senate Bill 32x for Hospitals participating in the SHOPP program. The decrease in 2022 is attributed to a decrease in services provided.
- An increase in salaries and wages expenses of $267,219 or 2% as compared to an increase in 2022 of $1,292,675 or 12%. The increases are due to salary adjustments and new physicians joining the Authority.
- A decrease in supplies expenses of $665,218 or 25% as compared to an increase in 2022 of $375,796 or 12%. The decrease in 2023 is due to a decrease in admissions and service days. The increases in 2022 is due to the increase in cost of supplies.
- A decrease in purchased services and professional fees of $989,939 or 17% as compared to an increase in 2022 of $348,444 or 6%. The decrease in 2023 is due to the decrease in contract labor expense. The increase in 2022 is attributed to the increase in contract labor expense.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest expense, provider relief funds and Payroll Protection Program (PPP) forgiveness. Interest expense increased $133,396 or 69% from 2022 to 2023 and decreased $66,015 or 25% from 2021 to 2022. As a result of the COVID-19 pandemic, the Authority recognized Provider Relief Funds $1,904,994 and $1,722,387 in 2022 and 2021. The Authority recognized debt forgiveness for the PPP loan of $1,810,000 in 2021.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier. The principal changes in the Authority's cash flows were as follows:

- Net cash used for operating activities decreased in 2023 by $1,638,295 and decreased by $678,157 in 2022.
- Net cash from noncapital financing activities decreased in 2023 by $320,018 and decreased by $1,135,304 in 2022. This was due to amounts received under the Coronavirus Aid, Relief, & Economic Security (CARES) Act in 2022.
- Net cash used for capital and capital related financing activities decreased in 2023 by $1,295,959 and increased by $282,360 in 2022.

Capital Assets

In 2023, the Authority purchased $371,713 of capital assets and had $5,474,545 invested in capital assets, net of accumulated depreciation, at the end of 2023 as detailed in Note 5 to the financial statements. In 2022, the Authority purchased $1,567,597 of capital assets and had $6,370,523 invested in capital assets, net of accumulated depreciation, at the end of 2022 as detailed in Note 5 to the financial statements.

Lease Obligations

The Authority had $1,033,547 and $956,540 in lease obligations at September 30, 2022 and 2021 as detailed in Note 6 to the financial statements. The Authority incurred new debt totaling $643,407 and $4,520 relating to right to use assets for the years ending September 30, 2023 and 2022.

Note Payable

The Authority utilized $325,000 outstanding of its line of credit during 2023, as detailed in Note 7 to the financial statements. The Authority did not use its line of credit during 2022.

Long term Debt

The Authority had $2,629,346 and $2,823,023 in long-term debt at September 30, 2023 and 2022, as detailed in Note 7 to the financial statements. The Authority incurred no new long-term debt during 2023 and 2022.

Initiatives Scheduled for Fiscal year 2024:

- Achieve Commission on Accreditation of Rehabilitation Facilities certification for our Wagoner Health Outpatient Behavioral Services Clinic
    - This will allow us to provide a continuation of care beyond our current Inpatient Acute Mental Health Services.
- Continue to develop a Swing Bed Program for our community and the surrounding areas.
    - This will reduce transferring patients with this need.
- Continue to develop and achieve our RHC designation for our busy Family Practice Clinic.
- Continue to develop Progressive Care for our inpatient unit.
    - This will allow us to care for sicker patients i.e. cardiac drips, etc. (and reduce transfers).
- Plan to add another clinic day of availability for ortho patients.
- Plan to add additional part time availability for cardiac patients.
- Credentialing another general surgeon to increase availability.
- Continue line of credit for unexpected cash outlays.
- Participate in Oklahoma Medicaid Directed Payment Program.
    - Will receive an additional approximately $8M over the next 15 months to bring payment from our largest payer to average commercial rate.
- Searching for additional Primary Care Physician to add to serve community's current need.
- Continue to work on new and/or improved contracting:
    - For mental health unit/Oklahoma State Department of Health patients.
    - With major insurance providers.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's administration by calling 918-485-1200.

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 66,513	$ 209,790
Receivables		
Patient, net of allowance for doubtful accounts of $1,047,000 in 2023 and $1,132,000 in 2022	2,408,701	3,056,499
Other	-	1,413
Current maturities of note receivable	15,996	16,350
Security deposits	14,275	11,290
Supplies	578,709	703,742
Prepaid expenses	71,631	86,992
Total current assets	3,155,825	4,086,076
Capital Assets		
Capital assets not being depreciated	135,952	206,325
Capital assets being depreciated, net of accumulated depreciation	4,082,962	5,218,381
Right of use assets, net of accumulated amortization	1,255,631	945,817
Total capital assets, net	5,474,545	6,370,523
Note Receivable, Less Current Maturities	263,124	279,062
Total assets	$ 8,893,494	$ 10,735,661

	2023	2022
Liabilities and Net Position		
Current Liabilities		
Note payable	$ 325,000	$ -
Current maturities of long-term debt	179,295	198,667
Current maturities of lease liabilities	398,578	439,563
Current maturities of extended repayment schedule	35,399	-
Current maturities of CMS advance payment	326,718	1,677,173
Accounts payable		
Trade	2,846,620	1,894,242
Estimated third-party payor settlements	546,487	705,690
Accrued expenses	676,106	698,531
Total current liabilities	5,334,203	5,613,866
Noncurrent Liabilities		
Long-term debt, less current maturities	2,450,051	2,624,356
Lease liabilities, less current maturities	634,969	516,977
Extended repayment schedule, less current maturities	29,338	-
CMS Advance payment, less current maturities	1,062,211	-
Total noncurrent liabilities	4,176,569	3,141,333
Total liabilities	9,510,772	8,755,199
Net Position		
Net investment in capital assets	2,050,555	2,876,428
Unrestricted	(2,667,833)	(895,966)
Total net position (deficit)	(617,278)	1,980,462
Total liabilities and net position	$ 8,893,494	$ 10,735,661

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for bad debts of $1,793,859 in 2023 and $2,164,373 in 2022	$ 23,415,396	$ 23,314,063
Other revenue	171,169	173,529
Total operating revenues	23,586,565	23,487,592
Operating Expenses		
Salaries and wages	12,343,113	12,075,894
Employee benefits	2,151,236	2,223,270
Purchased services and professional fees	4,821,005	5,810,944
Supplies	2,016,154	2,681,372
Depreciation and amortization	1,241,312	1,128,997
Other expenses	3,570,225	3,608,964
Total operating expenses	26,143,045	27,529,441
Operating Loss	(2,556,480)	(4,041,849)
Nonoperating Revenues (Expenses)		
Investment income	15,646	16,635
Interest expense	(326,434)	(193,038)
Noncapital contributions	283,884	187,053
Loss on disposal of capital assets	(14,356)	(137,814)
Provider relief funds	-	1,904,994
Net nonoperating revenues (expenses)	(41,260)	1,777,830
Change in Net Position	(2,597,740)	(2,264,019)
Net Position, Beginning of Year	1,980,462	4,244,481
Net Position (Deficit), End of Year	$ (617,278)	$ 1,980,462

	2023	2022
Operating Activities		
Receipts from and on behalf of patients	$ 23,974,244	$ 24,254,117
Payments to suppliers and contractors	(8,926,312)	(11,199,948)
Payments to and on behalf of employees	(14,515,361)	(14,162,253)
Other receipts	171,169	173,529
Net Cash from (used for) Operating Activities	703,740	(934,555)
Noncapital Financing Activities		
Proceeds from line of credit	325,000	-
Principal payments on notes payable	(46,565)	(47,885)
Interest paid on note payable and extended repayment schedule	(130,071)	(19,843)
Principal payments on extended repayment schedule	(5,516)	-
Noncapital contributions	283,884	187,053
Proceeds from refundable advance - Provider Relief Funds	-	1,904,994
Recoupments of CMS advance payments	(288,244)	(1,565,813)
Net Cash from Noncapital Related Financing Activities	138,488	458,506
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	(147,112)	(140,288)
Interest payments on long-term debt	(125,031)	(119,125)
Principal payments on lease liabilities	(566,400)	(437,488)
Interest payments on lease liabilities	(71,332)	(54,070)
Additional deposits on equipment	(2,985)	-
Proceeds from disposal of capital assets	12,000	-
Purchase of capital assets	(116,583)	(1,562,431)
Net Cash used for Capital and Capital Related Financing Activities	(1,017,443)	(2,313,402)
Investing Activities		
Investment income	15,646	16,635
Proceeds from note receivable	16,292	13,128
Net Cash from Investing Activities	31,938	29,763
Net Change in Cash and Cash Equivalents	(143,277)	(2,759,688)
Cash and Cash Equivalents, Beginning of Year	209,790	2,969,478
Cash and Cash Equivalents, End of Year	$ 66,513	$ 209,790

	2023	2022
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating Loss	$ (2,556,480)	$ (4,041,849)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation and amortization	1,241,312	1,128,997
Provision for bad debts	1,793,859	2,164,373
Changes in assets and liabilities		
Patient receivables	(1,146,061)	(1,423,936)
Other receivables	1,413	(1,220)
Supplies	125,033	(150,006)
Prepaid expenses	15,361	88,295
Accounts payable	1,340,678	963,043
Accrued expenses	(22,425)	138,131
Extended repayment schedule	-	(139,078)
Estimated third-party payor settlements	(88,950)	338,695
Net Cash from (used for) Operating Activities	$ 703,740	$ (934,555)
Supplemental Disclosure of Noncash Capital Related Financing Activities		
Equipment financed through capital lease arrangement	$ 255,107	$ 4,520
Payable converted to capital lease arrangement	$ 388,300	$ -
Payable converted to extended repayment arrangement	$ 70,253	$ -

Note 1 - Organization and Significant Accounting Policies

The financial statements of the Wagoner Hospital Authority d/b/a Wagoner Community Hospital (the 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 is a 100-bed acute care hospital located in Wagoner, Oklahoma. The Authority is a public trust created under the laws of the State of Oklahoma, for the hospital facilities and equipment located in the City of Wagoner, Oklahoma. The trust indenture provides for a Board of Trustees to conduct the business of the Authority and to provide short-term acute care services for the City of Wagoner, Oklahoma, the beneficiary of the Trust. The Authority is governed by the Board of Trustees, who are appointed by the remaining Trustee or Trustees.

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 the organization's governing body and (1) the ability of the Authority 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 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 for capital acquisition consists of assets whose use is restricted for a specific purpose. The Authority does not have restricted net position as of September 30, 2023 and 2022.

Restricted, nonexpendable is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority does not have restricted net position as of September 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 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.

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.

The net patient service revenue for the years ended September 30, 2023 and 2022 decreased approximately $311,000 and $815,000 for changes in estimates related to allowances of collectability on patient receivables due to actual collections activity different than previous estimates and impacts from a patient accounting system conversion.

Supplies

Supplies are valued at the lower of cost (first-in, first-out method) 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 of use assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Right of use 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.

The estimated useful lives of property and equipment are as follows:

Land improvements	10 years
Buildings and improvements	10 - 40 years
Major moveable equipment	3 - 15 years

Right of use assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 8 years.

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

Note Receivable

The Authority issues physician guarantees as part of its recruitment process. During 2021, the Authority converted a physician guarantee to a note receivable. The note receivable is for a period of fifteen-years and issued at a current interest rate of 5.25%. At September 30, 2023 and 2022, the note receivable totaled approximately $279,000 and $295,000 and is included in note receivable on the statements of net position.

Schedule of anticipated amounts to be received is as follows:

Years Ending September 30,	
2024	$ 15,996
2025	16,975
2026	17,699
2027	18,651
2028	19,654
2029-2033	115,306
2034-2036	74,839
Total	$ 279,120

Compensated Absences

The Authority's employees earn vacation days at varying rates depending on years of service. Employees may accumulate vacation days up to a specified maximum. Compensated absence liabilities are computed using the regular pay in effect at the statement of net position date plus an additional amount for compensation - related payments such as social security and Medicare taxes computed using rates in effect at that date.

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 amount of charges foregone for services provided under the Authority's charity care policy were approximately $76,000 and $41,000 for the years ended September 30, 2023 and 2022. Total direct and indirect costs related to these foregone charges were approximately $37,000 and $19,000 at September 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 non-operating income.

Implementation of GASB Statement No. 96

As of October 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 September 30, 2023, and 2022, the Authority did not have any SBITA which were required to be recognized under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Note 2 - Net Patient Service Revenue

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

<u>Medicare</u>: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are paid based on a prospectively determined amount per procedure. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through September 30, 2019. The Authority's Medicare cost reports have been reopened for the year ending September 30, 2012.

Medicaid: The Authority is reimbursed for services rendered to patients covered by the State Medicaid Program on a prospective basis at predetermined rates with no retroactive adjustment.

Blue Cross: Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

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 September 30, 2023 and 2022:

	2023	2022
Medicare	16%	19%
Medicaid	39%	38%
Blue Cross	10%	10%
Other commercial payors	33%	31%
Self pay and other	2%	2%
	100%	100%

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

The Authority's for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. If selected for audit, the potential exists that the Authority may incur a liability for a claim's overpayment at a future date. The Authority has accrued $19,000 and $23,000 for RAC liability as of September 30, 2023 and 2022 included in estimated third-party payor settlements. The estimate is based on historical overpayments identified.

Extended Repayment Schedule

The Authority was approved for an Extended Repayment Schedule (ERS) by the Medicare Administrative Contractor for the interim reimbursement settlements for the year ended September 30, 2023. The ERS requires the Authority to make monthly payments of $3,418, including interest at 11.50% until June 2025. The ERS is unsecured, however CMS can withhold any future cost report settlement amounts to be applied against outstanding balances.

A schedule of repayments for the Authority's ERS is as follows:

Years Ending September 30,	Principal	Interest
2024	$ 35,399	$ 31,981
2025	29,338	1,424
Total	$ 64,737	$ 33,405

CMS Advanced Payment

At September 30, 2022, the Authority had an outstanding balance due to CMS under the CMS Advance Payment program of $1,677,173. On October 20, 2022, the Authority was approved for an ERS on the outstanding CMS Advanced Payment liability. The ERS requires the Authority to make monthly payments of $31,361, including interest at 4.0% until September 2027. The ERS is unsecured, however, CMS can withhold any future cost report settlement amounts to be applied against outstanding balances.

A schedule of repayments for the Authority's ERS is as follows:

Years Ending September 30,	Principal	Interest
2024	$ 326,718	$ 49,611
2025	340,029	36,300
2026	353,882	22,446
2027	368,300	8,029
Total	$ 1,388,929	$ 116,386

Note 3 - Provider Relief Funds

The Authority received $-0- and $1,904,994 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds (Funds) administered by the Department of Health and Human Services (HHS) in the years ending September 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, which vary based on the date the Hospital received the Funds. Unspent Funds will be expected to be repaid.

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

During the years ended September 30, 2023 and 2022, the Authority recognized $-0- and $1,904,994 of Funds as revenue, included as nonoperating revenues on the statements of revenues, expenses, and changes in net position.

Note 4 - Deposits

Cash and cash equivalents consist of cash and deposits as of September 30, 2023 and 2022.

Deposits – Custodial Credit Risk

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

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

Note 5 - Capital Assets

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

	Restated Balance September 30, 2022	Additions	Retirements and Transfers	Balance September 30, 2023
Capital assets not being depreciated				
Land	$ 135,952	$ -	$ -	$ 135,952
Construction in progress	70,373	-	(70,373)	-
Total capital assets not being depreciated	206,325	-	(70,373)	135,952
Capital assets being depreciated				
Land improvements	105,479	-	-	105,479
Buildings and improvements	7,679,263	-	-	7,679,263
Major moveable equipment	16,320,025	230,531	(840,379)	15,710,177
Total capital assets being depreciated	24,104,767	$ 230,531	$ (840,379)	23,494,919
Less accumulated depreciation				
Land improvements	65,371	7,770	-	73,141
Buildings and improvements	5,556,474	326,806	-	5,883,280
Major moveable equipment	13,264,541	555,757	(364,762)	13,455,536
Total accumulated depreciation	18,886,386	890,333	(364,762)	19,411,957
Net capital assets being depreciated	5,218,381	(659,802)	(475,617)	4,082,962
Right to use leased assets being amortized				
Major moveable equipment	1,845,834	141,182	519,611	2,506,627
Facility	691,122	-	-	691,122
Total right to use leased assets	2,536,956	$ 141,182	$ 519,611	3,197,749
Less accumulated depreciation				
Major moveable equipment	1,134,229	304,904	-	1,439,133
Facility	456,910	46,075	-	502,985
Total accumulated amortization	1,591,139	$ 350,979	$ -	1,942,118
Net right to use leased assets	945,817			1,255,631
Capital assets, net	$ 6,370,523			$ 5,474,545

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

	Restated Balance September 30, 2021	Additions	Retirements and Transfers	Restated Balance September 30, 2022
Capital assets not being depreciated				
Land	$ 135,952	$ -	$ -	$ 135,952
Construction in progress	248,440	85,895	(263,962)	70,373
Total capital assets not being depreciated	384,392	85,895	(263,962)	206,325
Capital assets being depreciated				
Land improvements	105,479	-	-	105,479
Buildings and improvements	6,875,938	627,217	176,108	7,679,263
Major moveable equipment	15,660,657	849,965	(190,597)	16,320,025
Total capital assets being depreciated	22,642,074	$ 1,477,182	$ (14,489)	24,104,767
Less accumulated depreciation				
Land improvements	57,599	7,772	-	65,371
Buildings and improvements	5,247,342	309,132	-	5,556,474
Major moveable equipment	12,941,216	463,316	(139,991)	13,264,541
Total accumulated depreciation	18,246,157	780,220	(139,991)	18,886,386
Net capital assets being depreciated	4,395,917	696,962	125,502	5,218,381
Right to use leased assets being amortized				
Major moveable equipment	1,841,314	4,520	-	1,845,834
Facility	691,122	-	-	691,122
Total right to use leased assets	2,532,436	$ 4,520	$ -	2,536,956
Less accumulated depreciation				
Major moveable equipment	831,527	302,702	-	1,134,229
Facility	410,835	46,075	-	456,910
Total accumulated amortization	1,242,362	$ 348,777	$ -	1,591,139
Net right to use leased assets	1,290,074			945,817
Capital assets, net	$ 6,070,383			$ 6,370,523

Note 6 - Lease Liabilities

The Authority has entered into lease agreements for medical equipment and facilities. The Authority is required to make principal and interest payments through October 2027. The lease liability was valued using stated and discount rates between 0.0% and 20.63% based on the Authority's incremental borrowing rate at the inception of the leases.

Lease liabilities additions, payments and balances for the year ended September 30, 2023 and 2022 are as follows:

	Balance September 30, 2022	Additions	Payments	Balance September 30, 2023	Amounts Due Within One Year
Lease liabilities					
For equipment	$ 708,521	$ 643,407	$ 521,504	$ 830,424	$ 351,852
For facilities	248,019	-	44,896	203,123	46,726
Total lease liabilities	$ 956,540	$ 643,407	$ 566,400	$ 1,033,547	$ 398,578

	Balance September 30, 2021	Additions	Payments	Balance September 30, 2022	Amounts Due Within One Year
Lease liabilities					
For equipment	$ 1,098,350	$ 4,520	$ 394,349	$ 708,521	$ 392,837
For facilities	291,158	-	43,139	248,019	46,726
Total lease liabilities	$ 1,389,508	$ 4,520	$ 437,488	$ 956,540	$ 439,563

As of September 30, 2023, lease liabilities are $1,033,547 and the right of use assets net of accumulated amortization were $1,251,971.

Lease liabilities for right of use equipment were $830,424, at September 30, 2023 and consisted of the following:

- Right of use medical equipment with a lease liability of $21,232. The Authority is required to make monthly principal and interest payments of $7,154 through December 2023. The lease liability was valued using a stated rate of 4.25% based on the Authority's incremental borrowing rate. Title of the equipment will transfer to the Authority at the end of the term.
- Right of use printers with a lease liability of $12,001. The Authority is required to make monthly principal and interest payments of $4,027 through December 2023. The lease liability was valued using a discount rate of 4.00% based on the Authority's incremental borrowing rate. The lease contains a purchase option for fair market value at the end of the term.
- Right of use printers with a lease liability of $918. The Authority is required to make monthly principal and interest payments of $237 through December 2023. The lease liability was valued using a discount rate of 4.00% based on the Authority's incremental borrowing rate. The lease contains a purchase option for fair market value at the end of the term.

- Right of use medical equipment with a lease liability of $64,152. The Authority is required to make monthly principal and interest payments of $7,600 through April 2025. The lease liability was valued using a discount rate of 4.00% based on the Authority's incremental borrowing rate. The Authority is to return the equipment at the end of the agreement.
- Right of use medical equipment with a lease liability of $6,077. The Authority is required to make monthly principal and interest payments of $235 through November 2025. The lease liability was valued using a discount rate of 0.44% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1,000.
- Right of use medical equipment with a lease liability of $26,945. The Authority is required to make monthly principal and interest payments of $1,294 through November 2025. The lease liability was valued using a discount rate of 20.63% based on the Authority's incremental borrowing rate. The Authority can renew the agreement for an additional 6 months or return the equipment at the end of the term.
- Right of use medical equipment with a lease liability of $14,859. The Authority is required to make monthly principal and interest payments of $478 through April 2026. The lease liability was valued using a stated rate of 0.0%. The Authority is to return the equipment at the end of the agreement.
- Right of use medical equipment with a lease liability of $13,860. The Authority is required to make monthly principal and interest payments of $1,105 through October 2024. The lease liability was valued using a discount rate of 6.19% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right of use medical equipment with a lease liability of $57,483. The Authority is required to make monthly principal and interest payments of $4,204 through November 2024. The lease liability was valued using a discount rate of 3.75% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right of use medical equipment with a lease liability of $20,285. The Authority is required to make monthly principal and interest payments of $842 through October 2025. The lease liability was valued using a discount rate of 3.47% based on the Authority's incremental borrowing rate. The lease contains a purchase option for $1.
- Right of use medical equipment with a lease liability of $43,556. The Authority is required to make monthly principal and interest payments of $1,699 through December 2025. The lease liability was valued using the stated rate of 4.61%. The lease contains a purchase option for $1.
- Right of use medical equipment with a lease liability of $32,771. The Authority is required to make monthly principal and interest payments of $1,278 through December 2025. The lease liability was valued using the stated rate of 4.61%. The lease contains a purchase option for $1.
- Right of use medical equipment with a lease liability of $107,972. The Authority is required to make monthly principal and interest payments of $3,188 through September 2026. The lease liability was valued using a discount rate of 4.00% based on the Authority's incremental borrowing rate. The Authority has the option to purchase the equipment at the end of the agreement for fair market value.

- Right of use medical equipment with a lease liability of $408,313. The Authority is required to make monthly principal and interest payments of $9,989 through September 2027. The lease liability was valued using the stated rate of 6.7%. The lease contains a purchase option for $1.

Right of use facility with a lease liability of $203,123. The Authority is required to make monthly principal and interest payments of $4,500 through October 2027. The lease liability was valued using a discount rate of 4.0% based on the Authority's incremental borrowing rate. The Authority has an option to renew for the agreement for a 5-year term.

Remaining principal and interest payments on leases are as follows:

Year Ending September 30,	Principal	Interest
2024	$ 398,578	$ 41,714
2025	262,089	27,986
2026	212,709	155,500
2027	160,171	5,060
Total	$ 1,033,547	$ 230,260

Note 7 - Note Payable and Long-Term Debt

A schedule of changes in the Authority's note payables for the years ended September 30, 2023 and 2022 is as follows:

	Balance September 30, 2022	Additions	Payments	Balance September 30, 2023
Note payable:				
Line of credit (a)	$ -	$ 325,000	$ -	$ 325,000

	Balance September 30, 2021	Additions	Payments	Balance September 30, 2022
Note payable:				
Line of credit	$ -	$ -	$ -	$ -

The Authority has a revolving line of credit of $500,000 with a variable interest rate (9.75% as of September 30, 2023) and which is collateralized by the assets of the Authority. The Authority is required to pay the line of credit in one payment of all outstanding principal and accrued interest on the maturity date of October 27, 2023. Subsequent to year end, the Authority was granted a new maturity date of April 17, 2024.

A schedule of changes in the Authority's long-term debt for the years ended September 30, 2023 and 2022 is as follows:

	Balance September 30, 2022	Additions	Payments	Balance September 30, 2023	Amounts Due Within One Year
Direct Borrowings:					
First Bank and Trust (1)	$ 2,525,012	$ -	$ 134,569	$ 2,390,443	$ 141,554
First Bank and Trust (2)	285,468	-	46,565	238,903	37,741
Note payable (3)	12,543	-	12,543	-	-
Total direct borrowings	$ 2,823,023	$ -	$ 193,677	$ 2,629,346	$ 179,295

	Balance September 30, 2021	Additions	Payments	Balance September 30, 2022	Amounts Due Within One Year
Direct Borrowings:					
First Bank and Trust (1)	$ 2,641,876	$ -	$ 116,864	$ 2,525,012	$ 136,012
First Bank and Trust (2)	333,353	-	47,885	285,468	50,112
Note payable (3)	35,967	-	23,424	12,543	12,543
Total direct borrowings	$ 3,011,196	$ -	$ 188,173	$ 2,823,023	$ 198,667

The terms and due dates of the Authority's long-term debt as of September 30, 2023 are as follows:

(1) Note payable to bank with a variable interest rate (4.00% as of September 30, 2023), due in monthly installments of $19,553 including interest based on a 180-month amortization schedule and a maturity date of November 12, 2036, secured by assets of the Authority.
(2) Note payable to bank used for operations with a variable interest rate (8.00% as of September 30, 2023), due in monthly installments of $5,138 including interest, due December 2027, secured by assets of the Authority.
(3) Note payable to vendor, 7.21% interest rate, due in monthly installments of $2,135 including interest, due March 2023, secured by equipment.

Future principal and interest payments on the Authority's long-term debt are as follows:

Year Ending September 30,	Principal	Interest
2024	$ 179,295	$ 151,301
2025	195,657	134,939
2026	215,228	115,367
2027	238,854	91,742
2028	177,706	69,297
2029-2033	937,526	234,470
2034-2037	685,080	44,031
Total	$ 2,629,346	$ 841,147

Note 8 - Concentration of Credit Risk

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

	2023	2022
Medicare	12%	15%
Medicaid	21%	23%
Commercial insurance	45%	45%
Other and patients	22%	17%
	100%	100%

Note 9 - Defined Contribution Plan

The Authority has a 457(b) defined contribution plan under which eligible employees can participate in the plan after one year of employment with the Authority. Total plan expense for the years ended September 30, 2023, 2022, and 2021, was approximately $80,000, $84,000, and $57,000.

Note 10 - 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. 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 records payments to administrative services expense and receipts from SHOPP as a reduction in contractual adjustments. The Authority made SHOPP payments totaling $754,268 for the year ended September 30, 2023. In return, the Authority received $4,725,851 during 2023. The Authority made SHOPP payments totaling $556,756 for the year ended September 30, 2022. In return, the Authority received $4,562,656 during 2022. 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 $1,120,068 as a result of a funding provision in Oklahoma Senate Bill 32x for Hospitals participating in the SHOPP program, which is reported in net patient service revenue on the statement of revenues, expenses and changes in net position. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Note 11 - Contingencies

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; 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.

Medical Malpractice Insurance

The Authority has malpractice insurance coverage to provide protection for professional liability losses on an occurrence-basis subject to a limit of $1,000,000 per claim and an annual aggregate limit of $3,000,000.

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 - Going Concern and Management's Plan

The Authority has incurred an operating loss during the year ended September 30, 2023. For the year ended September 30, 2023, the Authority had expenses in excess of revenues of $2,597,740 which resulted in a net deficit of $617,278.

Management has established a plan to mitigate the effects of the loss. Management's plans include starting up the Wagoner Health Outpatient Behavioral Health Program, obtaining Rural Health Clinic designation and improving patient service revenues by renegotiating or terminating contracts. Management has extended the repayment of the CMS advanced payment liability as noted in Note 2. The Authority was approved by CMS for their Swing Bed program. Subsequent to year end, management has extended the maturity date of their line of credit as noted in Note 7. In addition, Oklahoma Health Care Authority has released their Managed Care Allocation Report showing the Authority will receive approximately $8.2m over a 15-month period starting in April 2024. Management notes that this additional funding will make a dramatic, positive difference of fiscal year 2024's financials. However, the effect of these changes cannot be evaluated. Therefore, substantial doubt about the Authority's ability to continue as a going concern within one year after the date of the financial statements remains. The financial statements do not include any adjustments that might be necessary should the Authority be unable to continue as a going concern.

Note 13 - Subsequent Events

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

Subsequent to year-end, Change Healthcare experienced a material data breach which has caused significant disruption in the ability of healthcare providers across the United States to bill and collect outstanding claims, as well as other operational impacts. The Authority continues to monitor the developments associated with the breach and is currently assessing the impact of this incident on its operations. Given the inherent uncertainty surrounding such events, the ultimate impact on the Authority's financial statements cannot be reasonably estimated at this time.

On December 28, 2023, the Authority signed an agreement for computer equipment. The Authority is required to make monthly payments of $3,327 for 60 months.

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

Board of Trustees
Wagoner Hospital Authority d/b/a Wagoner Community Hospital
Wagoner, 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 Wagoner Hospital Authority d/b/a Wagoner Community Hospital (Authority) as of and for the year ended September 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 March 27, 2024.

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 a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider to be a significant deficiency: 2023-001.

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

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Eide Bailly LLP

Oklahoma City, Oklahoma
March 27, 2024

Findings – Financial Statements Audit – Internal Controls over Financial Reporting

Significant Deficiency

2023-001 Cost Report Estimate

Criteria: A properly designed system of internal control over financial reporting allows entities to initiate, record, process and report financial report data reliably in accordance with generally accepted accounting principles.

Condition: During the audit, an adjustment was made to the financial statements as a result of differences in the estimated third-party payor settlements.

Cause: A misstatement to the internal financial statements was not prevented or detected and corrected on a timely basis in the normal course of business. Therefore, there was an adjusting journal entry at year end to properly state estimated third party payor settlements.

Effect: Audit adjustment was made to estimated third-party payor settlements.

Auditor's Recommendation: We recommend the Authority regularly review the amounts used to calculate allowances against current payment trends throughout the year and at year end. In addition, we recommend that a process is put in place to ensure the estimate for the cost report settlement is being made at year end and periodically throughout the year as determined necessary by management.

Views of Responsible Officials: Management will work to analyze these accounts and determine the proper course of action on the accounts.