

Grady Memorial Hospital Authority

Independent Auditor's Reports and Financial Statements

December 31, 2022



Grady Memorial Hospital Authority
December 31, 2022

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Independent Auditor's Report

Board of Trustees
Grady Memorial Hospital Authority
Chickasha, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grady Memorial Hospital Authority (the Authority) as of and for the year ended December 31, 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 financial position of the Authority as of December 31, 2022 and the changes in 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on January 1, 2022, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information

for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

FORVIS, LLP

Tulsa, Oklahoma
May 19, 2023

Grady Memorial Hospital Authority

Management's Discussion and Analysis

Year Ended December 31, 2022

Introduction

This management's discussion and analysis of the financial performance of Grady Memorial Hospital Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2022. It should be read in conjunction with the accompanying financial statements of the Authority. The 2021 financial information contained herein has not been restated for the adoption of GASB 87, *Leases*, disclosed in *Note 1* to the financial statements, because of the single-year presentation of the basic financial statements.

Financial Highlights

- Cash decreased in 2022 by \$6,841,855 or 41%.
- Patient accounts receivable increased in 2022 by \$287,483 or 4%.
- Estimated amounts due to/from third-party payors decreased in 2022 by \$4,837,621.
- Net patient service revenue increased in 2022 by \$1,487,185 or 3%.
- The Authority reported an operating loss in 2022 of \$4,676,257.
- Government grants and forgiveness of debt decreased by \$5,701,759 or 88% in 2022.

Using This Annual Report

The Authority's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, 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 Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. The Authority's total net position—the difference between assets and liabilities—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of

whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the Authority.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash 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 accompanying balance sheets. The Authority's net position increased by \$314,787 or 1% in 2022 from 2021, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2022	2021
Assets		
Cash	\$ 9,721,119	\$ 16,562,974
Short-term investments	298,000	299,435
Patient accounts receivable, net	7,863,719	7,576,236
Other current assets	4,120,805	2,990,977
Capital and lease assets, net	24,411,123	23,780,048
Other noncurrent assets	<u>3,737,527</u>	<u>3,951,515</u>
Total assets	<u><u>\$ 50,152,293</u></u>	<u><u>\$ 55,161,185</u></u>
Liabilities		
Long-term obligations (including current portion)	\$ 15,690,193	\$ 17,149,263
Other current and noncurrent liabilities	<u>6,419,322</u>	<u>10,283,931</u>
Total liabilities	<u>22,109,515</u>	<u>27,433,194</u>
Net Position		
Net investment in capital assets	8,056,328	6,630,785
Restricted expendable for debt service	3,775,549	3,433,040
Unrestricted	<u>16,210,901</u>	<u>17,664,166</u>
Total net position	<u>28,042,778</u>	<u>27,727,991</u>
Total liabilities and net position	<u><u>\$ 50,152,293</u></u>	<u><u>\$ 55,161,185</u></u>

The most significant change in the Authority's 2022 assets is found in cash. The remaining portion of the Authority's accelerated Medicare payments was recouped by the Centers for Medicare and Medicaid Services during 2022 (see *Note 16*).

The most significant change in the Authority's 2022 liabilities relates to a decrease in estimated amounts due to third-party payors. The Authority's estimated amounts due to/from third-party payors decreased in 2022 by \$4,837,621. The reason for this decrease is the same reason noted for the decrease in cash above.

Operating Results and Changes in the Authority's Net Position

In 2022, the Authority's net position increased by \$314,787, as shown in Table 2. This increase is made up of several different components and represents a decrease of \$6,635,472 or 96% compared with the increase in net position in 2021 of \$6,950,259.

Table 2: Operating Results and Changes in Net Position

	2022	2021
Operating Revenues		
Net patient service revenue	\$ 45,681,830	\$ 44,194,645
Gain on sale of assets	206,604	-
Other	1,189,271	1,501,272
Total operating revenues	47,077,705	45,695,917
Operating Expenses		
Salaries, wages, and employee benefits	29,976,102	27,096,882
Purchased services and professional fees	4,000,953	4,046,379
Supplies and other expenses	15,130,635	13,435,281
Depreciation	2,646,272	2,468,571
Total operating expenses	51,753,962	47,047,113
Operating Loss	(4,676,257)	(1,351,196)
Nonoperating Revenues (Expenses)		
Noncapital gifts and grants	697,002	552,778
Government grants and forgiveness of debt	757,515	6,459,274
Investment income	182,934	255,506
Interest expense and other financing costs	(378,913)	(859,270)
Total nonoperating revenues (expenses)	1,258,538	6,408,288
Income (Loss) Before Capital Appropriations and Capital Grants	(3,417,719)	5,057,092
Capital Appropriations – Grady County	2,365,575	1,893,167
Capital Grants	1,366,931	-
Increase in Net Position	<u>\$ 314,787</u>	<u>\$ 6,950,259</u>

Operating Loss

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

The operating results for 2022 decreased by \$3,325,061 as compared to the operating loss of \$1,351,196 in 2021. The primary components of the increased operating loss in 2022 were:

- An increase in net patient service revenue of \$1,487,185 or 3% from 2021 to 2022

- An increase in salaries, wages, and employee benefits of \$2,879,220 or 11% from 2021 to 2022
- An increase in supplies and other expenses of \$1,695,354 or 13% from 2021 to 2022

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of noncapital gifts and grants, government grants, investment income, and interest expense and other financing costs. In 2022, the Authority recognized revenue of \$757,515 primarily associated with funding received under the *American Rescue Plan Act* (ARPA) passed through from Grady County.

Capital Appropriations and Grants

In February 2016, the citizens of Grady County approved a 0.25% county sales tax beginning on July 1, 2016 (see *Note 15*). The proceeds of the county sales tax are restricted for capital expenditures related to the construction, reconstruction, and/or equipping of the hospital and/or payment of debt service for such purposes. During the year ended December 31, 2022, the Authority recognized revenue from these capital appropriations of \$2,365,575. Also during the year ended December 31, 2022, the Authority recognized \$1,366,931 of capital grant revenue associated with funding received under ARPA passed through from Grady County.

The Authority's Cash Flows

Net cash related to operating activities resulted in a decrease in cash of \$6,173,707 in 2022. These cash flows are primarily due to funds received from the Medicare Accelerated and Advance Payments Program under the provisions of the *Coronavirus Aid, Relief, and Economic Security Act* in 2020 and the recoupment of those funds in 2022.

Capital Assets and Debt Administration

Capital and Lease Assets

At December 31, 2022, the Authority had \$24,411,123 invested in capital and lease assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2022, the Authority had additions of approximately \$3,300,000 related to ongoing building renovations and additional equipment.

Debt and Lease Obligations

At December 31, 2022, the Authority had \$15,690,193 in notes payable and lease obligations outstanding as detailed in *Note 8* to the financial statements. The majority of these outstanding obligations relate to the 2017A and 2021 series debt, which have outstanding balances of \$4,023,700 and \$10,904,000, respectively, at December 31, 2022.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's patients, suppliers, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's business administration by mail at 2220 Iowa Avenue, Chickasha, Oklahoma 73018.

Grady Memorial Hospital Authority

Balance Sheet

December 31, 2022

Assets

Current Assets

Cash	\$ 9,721,119
Short-term investments	298,000
Restricted cash – current	2,185,402
Patient accounts receivable, net of allowance – \$2,293,000	7,863,719
Supplies	581,076
Prepaid expenses and other	1,354,327
Total current assets	<u>22,003,643</u>

Noncurrent Cash

Held by trustee for debt service	3,775,549
Less amount required to meet current obligations	<u>2,185,402</u>
	<u>1,590,147</u>

Capital Assets, Net

24,225,647

Lease Assets, Net

185,476

Other Assets

2,147,380

Total assets \$ 50,152,293

Liabilities and Net Position

Current Liabilities

Current maturities of long-term debt	\$ 1,675,433
Current maturities of leases liabilities	79,401
Accounts payable	2,187,070
Accrued payroll and expenses	4,208,909
Estimated amounts due to third-party payors	<u>23,343</u>
Total current liabilities	<u>8,174,156</u>

Other Liabilities

Long-term debt	13,789,678
Long-term lease liabilities	<u>145,681</u>

Total other liabilities 13,935,359

Total liabilities 22,109,515

Net Position

Net investment in capital assets	8,056,328
Restricted expendable for debt service	3,775,549
Unrestricted	<u>16,210,901</u>

Total net position 28,042,778

Total liabilities and net position \$ 50,152,293

Grady Memorial Hospital Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2022

Operating Revenues

Net patient service revenue, net of provision for uncollectible accounts – \$5,487,188	\$ 45,681,830
Gain on sale of assets	206,604
Other	1,189,271
	<hr/>
Total operating revenues	47,077,705

Operating Expenses

Salaries and wages	25,455,798
Employee benefits	4,520,304
Purchased services and professional fees	4,000,953
Supplies and other expenses	15,130,635
Depreciation and amortization	2,646,272
	<hr/>
Total operating expenses	51,753,962

Operating Loss	<hr/> (4,676,257)
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Nonoperating Revenues (Expenses)

Noncapital gifts and grants	697,002
Government grants	757,515
Investment income	182,934
Interest expense and other financing costs	(378,913)
	<hr/>
Total nonoperating revenues (expenses)	1,258,538

Loss Before Capital Appropriations and Capital Grants	(3,417,719)
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Capital Appropriations – Grady County	2,365,575
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Capital Grants	<hr/> 1,366,931
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Increase in Net Position	314,787
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Net Position, Beginning of Year	<hr/> 27,727,991
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Net Position, End of Year	<hr/> <hr/> \$ 28,042,778
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Grady Memorial Hospital Authority
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows from Operating Activities

Receipts from and on behalf of patients	\$ 45,394,347
Payments to suppliers and contractors	(25,133,167)
Payments to employees	(28,953,362)
Other receipts and payments, net	<u>1,189,271</u>

Net cash used in operating activities (7,502,911)

Cash Flows from Noncapital Financing Activities

Noncapital gifts and grants	697,002
Government grants received	<u>183,342</u>

Net cash provided by noncapital financing activities 880,344

Cash Flows from Capital and Related Financing Activities

Principal paid on long-term debt and lease liabilities	(1,602,880)
Interest paid on long-term debt and lease liabilities	(378,913)
Proceeds from issuance of long-term debt	128,095
Capital appropriations – Grady County	2,927,595
Purchase of capital assets	(2,619,255)
Proceeds from sales of capital assets	<u>228,829</u>

Net cash used in capital and related financing activities 50,402

Cash Flows from Investing Activities

Sale of short-term investments	1,435
Investment income received	<u>71,384</u>

Net cash provided by investing activities 72,819

Decrease in Cash (6,499,346)

Cash, Beginning of Year 19,996,014

Cash, End of Year \$ 13,496,668

Reconciliation of Cash to the Balance Sheets

Cash in current assets	\$ 9,721,119
Cash in noncurrent cash	<u>3,775,549</u>

\$ 13,496,668

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (4,676,257)
Depreciation and amortization	2,646,272
Gain on sale of assets	(206,604)
Accrued self-insurance costs	62,000
Changes in operating assets and liabilities	
Patient and other accounts receivable, net	(287,483)
Supplies and prepaid expenses	(1,023,801)
Estimated amounts due to/from third-party payors	(4,837,621)
Accounts payable and accrued expenses	<u>820,583</u>
Net cash used in operating activities	<u><u>\$ (7,502,911)</u></u>

Noncash Investing, Capital, and Financing Activities

Capital asset additions in accounts payable	\$ 664,602
Lease obligation incurred for equipment	\$ 15,715

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Grady Memorial Hospital Authority (the Authority) is a public trust that operates Grady Memorial Hospital (the Hospital). Grady County (the County) owns the Hospital's capital assets, and on September 1, 1982, the Board of County Commissioners of the County created the Authority to operate, control, and manage all matters concerning the Hospital and the public trust. A lease agreement was entered into on January 1, 1983 between the County and the Authority. The lease term is for 50 years for a nominal rental amount. The Board of County Commissioners appoints the members of the Authority's Board of Trustees.

The Authority primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Chickasha, Oklahoma, and the surrounding area. The Authority also operates physician clinics and rural health clinics in the same geographic area.

Basis of Accounting and Presentation

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally, federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program-specific (such as county appropriations), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022, the Authority did not have any cash equivalents.

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority is self-insured for a portion of its exposure to risk of loss related to workers' compensation and employee health claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in money market mutual funds are carried at fair value. Investments in non-negotiable certificates of deposit are carried at amortized cost. Investment income includes interest and dividend income and income from joint ventures.

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the weighted-average cost method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Authority:

Land improvements	10–12 years
Buildings and leasehold improvements	5–40 years
Equipment	3–25 years

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

Lease Assets

Lease assets are initially recorded at the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term less any incentives received from the lessor at or before the commencement of the lease term, and 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Capital and Lease Asset Impairment

The Authority evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment.

No asset impairment was recognized during the year ended December 31, 2022.

Investments in Joint Ventures

The Authority has ownership (equity) interests in three joint ventures – Tecumseh Health Reciprocal Risk Retention Group (Tecumseh), LifeCare Health Services, L.L.C. (LifeCare), and LifeCare Association Insurance Exchange (LAIE). The investments in the joint ventures are recorded using the equity method of accounting (cost plus equity in the joint venture's undistributed net income or loss since acquisition). See *Note 13* for additional information regarding the Tecumseh, LifeCare, and LAIE joint ventures.

Compensated Absences

Authority policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Net Position

Net position of the Authority is classified in three components on its balance sheet:

- Net investment in capital assets consists of capital and lease assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings and lease liabilities used to finance the purchase or construction of those assets.

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Authority provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As a governmental entity, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP), which is currently scheduled to sunset on December 31, 2025. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee, which will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation.

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

During the year ended December 31, 2022, the Authority had the following activity related to the SHOPP:

SHOPP funds received	\$ 1,569,000
SHOPP assessment fees paid	<u>960,000</u>
Net benefit under SHOPP	<u><u>\$ 609,000</u></u>

The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual net benefit to the Authority over the remaining term of the SHOPP is expected to be similar to the net benefit received in 2022. The SHOPP revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses, and changes in net position.

New Accounting Pronouncements Adopted in Fiscal Year 2022

On January 1, 2022, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. GASB 87 requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use asset.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 87 by clarifying the definition of a lease term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term leases, variable payments, and lease incentives.

The Authority recorded the cumulative effect of adopting GASB 87 and GASB 99, which resulted in recognizing activity associated with lease agreements. The effect of the adoption resulted in no change to previously reported net position.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued several new accounting pronouncements that will be effective for the Authority in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. To the extent

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

relevant, the standards for SBITAs are based on standards established in GASB 87. GASB 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 96 by clarifying the definition of the SBITA term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term SBITAs and the remeasurement of a subscription liability.

Authority management is currently evaluating the impact these new standards will have on its financial statements.

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. These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Medicare administrative contractor has audited the Authority's cost reports through December 31, 2018.
- **Medicaid** – Inpatient services and substantially all outpatient services rendered to the state's Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors with no retroactive adjustment.

Approximately 73% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider 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.

Grady Memorial Hospital Authority
Notes to Financial Statements
December 31, 2022

Note 3: Deposits and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires collateralization of all deposits with federal depository insurance and other acceptable collateral.

At December 31, 2022, none of the Authority's bank balances of approximately \$14,131,000 were uninsured and uncollateralized.

Investments

The Authority may invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest in corporate bonds and equity securities.

At December 31, 2022, the Authority did not have any investments.

Summary of Carrying Values

The carrying value of deposits described above of \$13,794,668 at December 31, 2022 is included in the accompanying balance sheet as follows:

Cash	\$ 9,721,119
Short-term investments	298,000
Noncurrent cash	<u>3,775,549</u>
	<u><u>\$ 13,794,668</u></u>

Short-term investments at December 31, 2022 consisted of certificates of deposit.

Investment Income

Investment income for the year ended December 31, 2022 consisted of interest and dividend income and income from investments in joint ventures (see *Note 13*) as follows:

Interest and dividend income	\$ 71,384
Income from joint ventures	<u>111,550</u>
	<u><u>\$ 182,934</u></u>

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2022 consisted of:

Medicare	\$ 3,270,909
Medicaid	706,365
Other third-party payors	4,437,799
Patients	1,741,646
	<u>10,156,719</u>
Less allowance for uncollectible accounts	<u>2,293,000</u>
	<u><u>\$ 7,863,719</u></u>

Note 5: Capital and Lease Assets

Capital and lease assets activity for the year ended December 31, 2022 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Land	\$ 143,245	\$ -	\$ -	\$ -	\$ 143,245
Land improvements	1,067,275	22,020	-	-	1,089,295
Buildings and leasehold improvements	33,165,578	19,290	(102,700)	19,048	33,101,216
Equipment	31,576,465	1,037,837	(1,539,478)	1,345,227	32,420,051
Construction in progress	165,086	2,204,710	-	(1,364,275)	1,005,521
Lease assets	<u>339,018</u>	<u>15,715</u>	<u>-</u>	<u>-</u>	<u>354,733</u>
	<u>66,456,667</u>	<u>3,299,572</u>	<u>(1,642,178)</u>	<u>-</u>	<u>68,114,061</u>
Less accumulated depreciation and amortization					
Land improvements	702,937	35,924	-	-	738,861
Buildings and leasehold improvements	15,700,755	942,823	(84,140)	-	16,559,438
Equipment	26,272,927	1,498,268	(1,535,813)	-	26,235,382
Lease assets	<u>-</u>	<u>169,257</u>	<u>-</u>	<u>-</u>	<u>169,257</u>
	<u>42,676,619</u>	<u>2,646,272</u>	<u>(1,619,953)</u>	<u>-</u>	<u>43,702,938</u>
Capital and lease assets, net	<u><u>\$ 23,780,048</u></u>	<u><u>\$ 653,300</u></u>	<u><u>\$ (22,225)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,411,123</u></u>

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

Note 6: Self-Insured Claims

Substantially all of the Authority's employees are eligible to participate in the Authority's workers' compensation and employee health insurance plans. The Authority is self-insured for health claims of participating employees and dependents up to an annual amount of \$90,000 per person. The Authority is self-insured for workers' compensation claims of participating employees up to an annual amount of \$400,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amounts.

A provision is accrued for self-insured employee health claims and workers' compensation claims, including both claims reported and claims incurred but not yet reported. The accruals are estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible the Authority's estimates will change by a material amount in the near term.

Activity in the Authority's accrued claims liabilities during 2022 is summarized as follows:

	Workers' Compensation	Employee Health
Balance, beginning of year	\$ 49,000	\$ 338,000
Current year claims incurred and changes in estimates for claims incurred in prior years	46,180	2,444,357
Claims and expenses paid	<u>(46,180)</u>	<u>(2,382,357)</u>
Balance, end of year	<u>\$ 49,000</u>	<u>\$ 400,000</u>

Note 7: Medical Malpractice Claims

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Authority's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

The Authority is a subscriber (member) of Tecumseh, an entity approved by the State of Vermont to provide hospital professional liability and general liability coverage to its subscribers. Tecumseh was formed in order to stabilize the cost and availability of hospital professional and general liability insurance by taking advantage of the self-funding capabilities of a homogenous group of healthcare providers. Tecumseh members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis. See *Note 13* for additional information about Tecumseh.

Grady Memorial Hospital Authority
Notes to Financial Statements
December 31, 2022

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the year ended December 31, 2022:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Note payable (A)	\$ 4,846,200	\$ -	\$ (822,500)	\$ 4,023,700	\$ 835,800
Note payable (B)	435,215	-	(25,729)	409,486	26,708
Note payable (C)	11,572,000	-	(668,000)	10,904,000	685,000
Note payable (D)	-	128,095	(170)	127,925	127,925
Lease liabilities	295,848	15,715	(86,481)	225,082	79,401
	<u>\$ 17,149,263</u>	<u>\$ 143,810</u>	<u>\$ (1,602,880)</u>	<u>\$ 15,690,193</u>	<u>\$ 1,754,834</u>
Total long-term obligations	<u>\$ 17,149,263</u>	<u>\$ 143,810</u>	<u>\$ (1,602,880)</u>	<u>\$ 15,690,193</u>	<u>\$ 1,754,834</u>

- (A) Due September 1, 2027; principal and interest payable monthly beginning October 1, 2017, in the amount of approximately \$46,300 to \$79,800, including fixed interest of 1.75% through maturity.
- (B) Due August 5, 2035; principal and interest payable monthly beginning September 5, 2020 in the amount of \$3,301, including interest at 3.25% through August 5, 2025, then may change based on the Prime rate, as published in the Wall Street Journal, in effect as of the Change Date. The interest rate will never be greater than 5.25% or less than 3.25%. Secured by certain property of the Authority.
- (C) Due September 1, 2036; principal and interest payable monthly beginning May 1, 2021 in the amount of approximately \$78,000, including interest at 2.35%; secured by proceeds from the sales tax ordinance appropriations (see *Note 15*).
- (D) Due August 30, 2028; interest payable monthly beginning September 30, 2022 at a fixed rate of 2.99% on the unpaid principal balance; beginning September 30, 2023, payments of \$31,052, including principal and interest, due monthly. Secured by certain equipment for which this financing was obtained.

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

The debt service requirements on long-term obligations other than lease liabilities as of December 31, 2022 are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	\$ 1,999,231	\$ 1,675,433	\$ 323,798
2024	1,872,431	1,578,789	293,642
2025	1,870,185	1,609,100	261,085
2026	1,872,191	1,644,340	227,851
2027	1,570,192	1,375,611	194,581
2028–2032	4,865,897	4,204,781	661,116
2033–2036	<u>3,530,297</u>	<u>3,377,057</u>	<u>153,240</u>
	<u>\$ 17,580,424</u>	<u>\$ 15,465,111</u>	<u>\$ 2,115,313</u>

The Authority's outstanding notes payable, which are direct placement borrowings, contain a provision that in an event of default, the principal of the note may be declared due and payable in the manner and with the effect provided in the agreements.

Note 9: Leases

Lease Liabilities

The Authority leases various equipment, the terms of which expire in various years through 2027. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended December 31, 2022, the Authority had no rental expense for variable payments (residual value guarantees or termination penalties) not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	\$ 90,328	\$ 79,401	\$ 10,927
2024	87,413	81,291	6,122
2025	28,821	26,341	2,480
2026	20,340	18,973	1,367
2027	<u>19,396</u>	<u>19,076</u>	<u>320</u>
	<u>\$ 246,298</u>	<u>\$ 225,082</u>	<u>\$ 21,216</u>

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

Note 10: Internally Designated Net Position

At December 31, 2022, a portion of unrestricted net position had been designated by the Authority's Board of Trustees for capital acquisitions and self-insured claims. These funds were designated for the following purposes:

Capital acquisitions	\$ 2,333,764
Self-insured claims	<u>194,980</u>
Total designated net position	<u>\$ 2,528,744</u>

Designated net position remains under the control of the Board of Trustees, which may, at its discretion, later use this net position for other purposes.

Note 11: Charity Care and Other Community Care

In support of its mission, the Authority voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Authority provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts that are less than established charges for the services provided to the recipients, and many times the payments are less than the cost of rendering the services provided.

Uncompensated costs related to charity care services for the year ended December 31, 2022 were approximately \$76,000. The costs of uncompensated care are estimated by applying the ratio of costs to gross charges from the most recently filed Medicare cost report to the gross uncompensated charges.

In addition to uncompensated costs, the Authority also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services, and various support groups.

Note 12: Pension and Deferred Compensation Plans

Pension expense is recorded for the amount of the Authority's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Authority's governing body.

The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. Contribution rates made by plan members and the Authority, expressed as a percentage of covered payroll, were 4.8% and 1.9%, respectively, for 2022.

Grady Memorial Hospital Authority

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Contributions actually made by plan members and the Authority were approximately \$852,000 and \$336,000, respectively, during 2022.

The Authority also maintains a nonqualified deferred compensation plan (457 Plan) for certain employees of the Authority. The Authority does not make contributions to the 457 Plan.

Note 13: Investments in Joint Ventures

The Authority has an approximate 10% ownership interest in LifeCare as of December 31, 2022. The Authority has less than 5% ownership interest in Tecumseh as of December 31, 2022. The Authority has an approximate 10% ownership interest in LAIE as of December 31, 2022. These investments in joint ventures are accounted for using the equity method.

Tecumseh Health Reciprocal Risk Retention Group

The Authority purchases its professional liability (medical malpractice) and general liability insurance coverage from Tecumseh (see *Note 7*). For the year ended December 31, 2022, the Authority paid approximately \$68,000 to Tecumseh for the coverage. The Authority's investment in Tecumseh was approximately \$675,000 as of December 31, 2022.

LifeCare Health Services, L.L.C.

LifeCare is a joint venture between certain hospitals in Oklahoma, organized to collaborate and share expenses and expertise to expand or enhance healthcare services in the communities served by each participating hospital in furtherance of their independent missions. The Authority's investment in LifeCare was approximately \$927,000 as of December 31, 2022.

LifeCare Association Insurance Exchange

LAIE is a joint venture between certain hospitals in Oklahoma, organized to collaborate and share expenses and expertise to create a captive insurance company for property insurance coverage. The Authority's investment in LAIE was approximately \$545,000 as of December 31, 2022.

Effective July 1, 2021, the Authority purchased a policy from LAIE to reduce the deductible from \$750,000 per occurrence to \$100,000 per occurrence related to its property insurance coverage. For the year ended December 31, 2022, the Authority paid approximately \$167,000 to LAIE for the coverage.

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

The information summarized below represents the financial position and results of operations for Tecumseh's, LifeCare's, and LAIE's fiscal year ended December 31, 2022:

	Tecumseh (Unaudited)	LifeCare (Unaudited)	LAIE (Unaudited)
Cash and cash equivalents	\$ 4,682,815	\$ 8,764,403	\$ 1,920,409
Investments at fair value	52,445,897	-	4,326,729
Other assets	2,067,108	1,718,606	1,334,809
	<u>59,195,820</u>	<u>10,483,009</u>	<u>7,581,947</u>
Total assets			
Unpaid losses and loss adjustment expenses	24,179,728	-	-
Other liabilities	282,935	904,142	584,237
	<u>24,462,663</u>	<u>904,142</u>	<u>584,237</u>
Total liabilities			
Subscribers' surplus/partners' equity	<u>\$ 34,733,157</u>	<u>\$ 9,578,867</u>	<u>\$ 6,997,710</u>
Revenues	<u>\$ 9,793,356</u>	<u>\$ 3,174,638</u>	<u>\$ 1,920,168</u>
Net income (loss)	<u>\$ (233,338)</u>	<u>\$ 557,871</u>	<u>\$ 1,502,459</u>

Complete financial statements of LifeCare, Tecumseh, and LAIE may be obtained by contacting the Authority's management by mail at 2220 Iowa Avenue, Chickasha, Oklahoma 73018.

Note 14: Contingencies

Litigation

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's commercial insurance or self-insurance programs (discussed elsewhere in these notes), for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 15: Capital Appropriations

In February 2016, the citizens of the County approved a 0.25% county sales tax for a period of 20 years beginning on July 1, 2016. The proceeds of the county sales tax are to fund the construction, support, and operation of healthcare facilities, equipment, and services serving residents of the

Grady Memorial Hospital Authority

Notes to Financial Statements

December 31, 2022

County. The Authority will receive 88.5% of the county sales tax proceeds, which are restricted for capital expenditures related to the construction, reconstruction, and/or equipping of the Hospital and/or payment of debt service and related financing costs on obligations issued for such purposes.

During the year ended December 31, 2017, the Authority issued the Series 2017 Sales Tax Revenue Note, 2017A Hospital Revenue Note, and 2017B Hospital Revenue Note totaling \$8,576,000 (see *Note 8*).

The Authority's hospital reconstruction project was completed and opened in the summer of 2018.

In 2022, the Authority received approximately 4.6% of its financial support from county appropriations.

Note 16: COVID-19 Pandemic and CARES Act and Related Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic.

The extent of the COVID-19 pandemic's adverse effect on the Authority's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Authority's control and ability to forecast.

Because of these and other uncertainties, the Authority cannot estimate the length or severity of the effect of the pandemic on the Authority's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

American Rescue Plan Act Funding

During the year ended December 31, 2022, the Authority entered into agreements for approximately \$1,488,000 of *American Rescue Plan Act* (ARPA) funding from the County to support certain employee salary and capital expenditures related to the pandemic. The Authority recognized all of this funding during the year ended December 31, 2022. Approximately \$148,000 is recorded as nonoperating revenue – government grants in the accompanying statement of revenues, expenses, and changes in net position, and approximately \$1,340,000 is recorded as capital grants in the accompanying statement of revenues, expenses, and changes in net position. As of December 31, 2022, the Authority has a receivable for approximately \$349,000 related to capital purchases made prior to year-end for which the Authority was awaiting reimbursement under this agreement with the County. This receivable is included in prepaid expenses and other in the accompanying balance sheet.

In 2021, the Authority received approximately \$1,378,000 of ARPA funding from the County to support certain staffing and retention initiatives related to the pandemic. The Authority recognized approximately \$804,000 during the year ended December 31, 2021 related to the county grants, and the Authority recognized the remaining portion of approximately \$574,000 during the year ended

Grady Memorial Hospital Authority
Notes to Financial Statements
December 31, 2022

December 31, 2022, which is recorded as nonoperating revenue – government grants in the accompanying statement of revenues, expenses, and changes in net position.

Medicare Accelerated and Advance Payments Program

During the year ended December 31, 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%. As of December 31, 2022, CMS had recouped all of the \$7,055,000 of accelerated Medicare payments received during the year ended December 31, 2020.

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

Independent Auditor's Report

Board of Trustees
Grady Memorial Hospital Authority
Chickasha, Oklahoma

We have audited, in accordance with the 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 Grady Memorial Hospital Authority (the Authority), which comprise the Authority's balance sheet as of December 31, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 19, 2023, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Trustees
Grady Memorial Hospital Authority

Report on Compliance and Other Matters

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

Purpose of This Report

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

FORVIS, LLP

Tulsa, Oklahoma
May 19, 2023

Grady Memorial Hospital Authority
Schedule of Findings and Responses
Year Ended December 31, 2022

Reference Number	Finding
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No matters are reportable.