



Management's Discussion and Analysis and
Financial Statements
June 30, 2024 and 2023

Holdenville Hospital Authority

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
Supplementary Information	
Independent Auditor's Report on Supplementary Information	30
Schedules of Net Patient Service Revenue	31
Schedules of Other Revenue	32
Schedule of Expenses as of June 30, 2024	33
Schedule of Expenses as of June 30, 2023	34
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 <i>Government Auditing Standards</i>	35
Schedule of Findings and Responses	37



Independent Auditor's Report

The Board of Trustees
Holdenville Hospital Authority
Holdenville, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Holdenville Hospital Authority (Authority), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024 and 2023, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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, 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.

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

Oklahoma City, Oklahoma
November 15, 2024

Introduction

This discussion and analysis of the financial performance of the Holdenville Hospital Authority (Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended June 30, 2024, 2023 and 2022. 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 increased during the year by \$609,446 or 9% in 2024 compared with a decrease during 2023 of \$1,519,347 or 18%.
- The Authority's total liabilities increased during the year by \$247,763 or 13% in 2024 compared with a decrease during 2023 of \$1,501,117 or 44%.
- The Authority reported an operating loss in 2024 of \$785,857 and in 2023 of \$1,322,042. The operating loss decreased \$536,185 or 41% from 2023 to 2024. The operating loss increased \$854,891 or 183% from 2022 to 2023.

Using This Annual Report

The Authority's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation.

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

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

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

The Statement of Cash Flows

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

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The Authority's net position increased by \$361,683 or 7% in 2024, and decreased by \$18,230 or 0.4% in 2023, as shown in Table 1.

Condensed Financial Statements

Table 1: Assets, Liabilities and Net Position

	2024	2023	2022
Assets			
Current assets	\$ 4,023,082	\$ 3,497,285	\$ 5,122,468
Capital assets, net	3,361,016	3,077,162	2,973,587
Noncurrent investments	140,806	341,011	338,750
Total assets	\$ 7,524,904	\$ 6,915,458	\$ 8,434,805
Liabilities			
Current liabilities	\$ 2,025,920	\$ 1,733,269	\$ 3,133,059
Line of credit, less current maturities	-	79,951	-
Long-term debt, less current maturities	7,958	38,598	81,745
Long-term lease liabilities, less current maturities	-	77,128	215,259
Long-term subscription IT liabilities, less current maturities	142,831	-	-
Total liabilities	2,176,709	1,928,946	3,430,063
Net Position			
Net investment in capital assets	3,001,070	2,776,260	2,479,621
Unrestricted	2,347,125	2,210,252	2,525,121
Total net position	5,348,195	4,986,512	5,004,742
Total liabilities and net position	\$ 7,524,904	\$ 6,915,458	\$ 8,434,805

Significant components of the change in the Authority's assets, liabilities, and net position are as follows:

- Patient receivables increased \$141,349 or 8% in 2024 and increased \$101,512 or 6% in 2023. The 2024 and 2023 increase was due to an increase in volume.
- Other receivables decreased \$148,644 or 56% in 2024 compared to an increase of \$101,647 or 61% in 2023, due to the change in the drug pricing program.
- Current liabilities increased \$292,651 or 17% in 2024 compared to a decrease of \$1,399,790 or 45% in 2023, due to the timing on payroll.

Operating Results and Changes in Net Position

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating Revenues			
Net patient service revenue	\$ 17,064,083	\$ 15,089,087	\$ 14,585,386
Other revenue	1,766,395	2,146,337	2,344,435
Total operating revenues	18,830,478	17,235,424	16,929,821
Operating Expenses			
Salaries and wages and employee benefits	9,402,490	8,576,852	8,277,388
Purchased services and professional fees	4,720,367	4,820,336	4,490,992
Depreciation	733,396	658,356	610,972
Other operating expenses	4,760,082	4,501,922	4,017,620
Total operating expenses	19,616,335	18,557,466	17,396,972
Operating Loss	(785,857)	(1,322,042)	(467,151)
Nonoperating Revenues (Expenses)			
Interest expense	(22,793)	(29,838)	(72,476)
Sales tax	601,891	621,402	674,604
Noncapital contributions and grants	10,600	33,588	21,197
Investment income	32,734	11,069	12,166
Gain on sale of capital assets	525,108	-	-
Provider relief funds	-	667,591	728,894
Total nonoperating revenues, net	1,147,540	1,303,812	1,364,385
Revenues in Excess of (Less Than) Expenses	361,683	(18,230)	897,234
Net Position, Beginning of the Year	4,986,512	5,004,742	4,107,508
Net Position, End of Year	\$ 5,348,195	\$ 4,986,512	\$ 5,004,742

Operating Income

The first component of the overall change in the Authority's net position is its operating income - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Authority had an operating loss of \$785,857 in 2024 compared to an operating loss of \$1,322,042 in 2023. The primary components of the operating loss are:

- Net patient service revenue increased \$1,974,996 or 13% in 2024 and increased \$503,701 or 3% in 2023. The increase in 2024 is attributed to the increase in charge rates and inpatient hospital services such as swing bed and acute care outpatient hospital services.
- Other operating revenue decreased \$379,942 or 18% in 2024 and decreased \$198,098 or 8% in 2023. The decrease is attributed to the decrease in the drug pricing program.
- Salaries, wages and employee benefits expense increased \$825,638 or 10% in 2024 and increased \$299,464 or 4% in 2023. The increases are attributed to inflation.
- Purchased services and professional fees decreased \$99,969 or 2% in 2024 and increased \$329,344 or 7% in 2023. The decrease in 2024 is due to a cost reduction plan. The increase in 2023 is due to staffing shortages.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales tax revenues, gain on disposal of capital assets and Provider Relief Funds. Sales tax revenues decreased \$19,511 or 3% from 2023 to 2024 and decreased \$53,202 or 8% from 2022 to 2023. Gain on disposal of capital assets increased \$525,108 or 100% from 2023 to 2024. As a result of the COVID-19 pandemic, the Authority received Provider Relief Funds and recognized \$667,591 as nonoperating revenue in 2023.

The Authority's Cash Flows

The Authority's overall liquidity increased during the year with a net increase to cash and cash equivalents, of \$219,900 or 38% during 2024 when compared with 2023 due to the increase in receipts from and on behalf of patients. The liquidity decreased \$1,726,645 or 75% during 2023 when compared to 2022 due to the use of amounts received under the CARES Act and increase in operating expenses. Cash from operating activities increased by \$694,343 during 2024 when compared with cash used for in 2023 which increased by \$771,771 or 106% when compared with 2022. Cash from noncapital financing activities increased by \$697,598 during 2024 when compared with 2023 and decreased by \$908,276 or 89% during 2023 when compared with 2022. Cash used for capital and capital related financing activities decreased by \$528,942 during 2024 when compared with 2023 and increased by \$537,419 during 2023 when compared with 2022. Cash provided by investing activities increased by \$25,662 during 2024 when compared with 2023 and decreased by \$5,066 during 2023 when compared with 2022.

Capital Assets

In 2024, the Authority purchased capital assets of \$1,042,656 and had \$3,361,016 invested in capital assets, net of accumulated depreciation and amortization, as detailed in Note 5 to the financial statements. In 2023, the Authority purchased capital assets of \$761,931 and had \$3,077,162 invested in capital assets, net of accumulated depreciation and amortization.

Leases

The Authority had \$82,415 and \$217,272 in right to use lease liabilities at June 30, 2024 and 2023. The Authority had no additions to right to use lease liabilities during the years ending June 30, 2024 and 2023. Note 6 to the financial statements details the changes and terms of the Authority's right to use lease liabilities.

Subscription-Based Information Technology Arrangements

The Authority had \$252,173 and \$-0- in right to use subscription IT liabilities at June 30, 2024 and 2023. The Authority had \$323,735 and \$-0- in additions to right to use subscription IT liabilities during the years ending June 30, 2024 and 2023. Note 7 to the financial statements details the changes and terms of the Authority's subscription-based information technology arrangements.

Long-Term Debt

The Authority had \$25,358 and \$83,630 in long-term debt at June 30, 2024 and 2023. The Authority had \$79,951 and \$106,044 in notes payable (line of credit) at June 30, 2024 and 2023. Note 8 to the financial statements details the changes and terms of the Authority's debt.

Requests for Information

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Holdenville Hospital Authority, 100 McDougal Drive, Holdenville, Oklahoma 74848.

Holdenville Hospital Authority
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 799,779	\$ 579,879
Short-term investments	639,042	436,970
Receivables		
Patients, net of estimated uncollectibles of approximately \$1,080,000 in 2024 and \$819,000 in 2023	1,842,319	1,700,970
Sales tax	100,648	100,648
Other	118,359	267,003
Supplies	207,589	197,129
Prepaid expenses	315,346	214,686
Total current assets	<u>4,023,082</u>	<u>3,497,285</u>
Noncurrent investments	<u>140,806</u>	<u>341,011</u>
Capital Assets		
Capital assets not being depreciated	605,405	33,919
Capital assets being depreciated, net	2,370,895	2,807,413
Right to use leased assets, net	107,012	235,830
Right to use subscription IT assets, net	277,704	-
Total capital assets	<u>3,361,016</u>	<u>3,077,162</u>
Total assets	<u>\$ 7,524,904</u>	<u>\$ 6,915,458</u>

Holdenville Hospital Authority
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Position		
Current Liabilities		
Current maturities of line of credit	\$ 79,951	\$ 26,093
Current maturities of long-term debt	17,400	45,032
Current maturities of right to use lease liabilities	82,415	140,144
Current maturities of right to use subscription IT liabilities	109,342	-
Accounts payable		
Trade	575,322	670,204
Estimated third-party payor settlements	173,165	78,964
Accrued expenses	<u>988,325</u>	<u>772,832</u>
Total current liabilities	2,025,920	1,733,269
Line of credit, less current maturities	-	79,951
Long-term debt, less current maturities	7,958	38,598
Long-Term Lease Liabilities, Less Current Maturities	-	77,128
Long-Term Subscription IT Liabilities, Less Current Maturities	<u>142,831</u>	<u>-</u>
Total liabilities	<u>2,176,709</u>	<u>1,928,946</u>
Net Position		
Net investment in capital assets	3,001,070	2,776,260
Unrestricted	<u>2,347,125</u>	<u>2,210,252</u>
Total net position	<u>5,348,195</u>	<u>4,986,512</u>
Total liabilities and net position	<u><u>\$ 7,524,904</u></u>	<u><u>\$ 6,915,458</u></u>

Holdenville Hospital Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$1,530,019 in 2024 and \$1,158,982 in 2023	\$ 17,064,083	\$ 15,089,087
Other revenue	<u>1,766,395</u>	<u>2,146,337</u>
Total operating revenues	<u>18,830,478</u>	<u>17,235,424</u>
Operating Expenses		
Salaries and wages	8,373,081	7,626,053
Employee benefits	1,029,409	950,799
Purchased services and professional fees	4,720,367	4,820,336
Supplies	2,419,177	2,346,601
Depreciation and amortization	733,396	658,356
Other expenses	<u>2,340,905</u>	<u>2,155,321</u>
Total operating expenses	<u>19,616,335</u>	<u>18,557,466</u>
Operating Loss	<u>(785,857)</u>	<u>(1,322,042)</u>
Nonoperating Revenues (Expenses)		
Interest expense	(22,793)	(29,838)
Sales tax	601,891	621,402
Noncapital contributions and grants	10,600	33,588
Investment income	32,734	11,069
Gain on sale of capital assets	525,108	-
Provider relief funds	<u>-</u>	<u>667,591</u>
Net nonoperating revenues (expenses)	<u>1,147,540</u>	<u>1,303,812</u>
Revenues in Excess of (Less Than) Expenses	361,683	(18,230)
Net Position, Beginning of the Year	<u>4,986,512</u>	<u>5,004,742</u>
Net Position, End of Year	<u>\$ 5,348,195</u>	<u>\$ 4,986,512</u>

Holdenville Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Receipts from and on behalf of patients	\$ 17,016,935	\$ 15,220,805
Payments to suppliers and contractors	(9,686,451)	(9,322,874)
Payments to and on behalf of employees	(9,186,997)	(8,578,438)
Other receipts and payments, net	1,915,039	2,044,690
Net Cash from (used for) Operating Activities	58,526	(635,817)
Noncapital Financing Activities		
Other noncapital grants and gifts	10,600	33,588
Proceeds from line of credit	-	110,263
Payment on line of credit	(26,093)	(4,219)
Payment of interest on notes payable	(1,125)	(1,768)
Payment on CMS advance payments	-	(871,591)
Sales tax	601,891	621,402
Net Cash from (used for) Noncapital Financing Activities	585,273	(112,325)
Capital and Capital Related Financing Activities		
Purchase of capital assets	(713,097)	(761,931)
Proceeds from sale of capital assets	544,690	-
Principal payments on long-term debt	(58,272)	(41,328)
Payment of interest on long-term debt	(12,679)	(10,040)
Principal payments on right to use lease liabilities	(134,857)	(151,736)
Payment of interest on right to use lease liabilities	(8,989)	(18,673)
Principal payments on right to use subscription IT liabilities	(71,562)	-
Net Cash used for Capital and Capital Related Financing Activities	(454,766)	(983,708)
Investing Activities		
Purchase of investments	(1,867)	(5,864)
Interest from investments	32,734	11,069
Net Cash from Investing Activities	30,867	5,205
Net Change in Cash and Cash Equivalents	219,900	(1,726,645)
Cash and Cash Equivalents, Beginning of Year	579,879	2,306,524
Cash and Cash Equivalents, End of Year	\$ 799,779	\$ 579,879

Holdenville Hospital Authority
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating loss	\$ (785,857)	\$ (1,322,042)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation and amortization	733,396	658,356
Provision for bad debts	1,530,019	1,158,982
Changes in assets and liabilities		
Receivables		
Patients	(1,671,368)	(1,260,494)
Other	148,644	(101,647)
Supplies	(10,460)	25,563
Prepaid expenses	(100,660)	(74,529)
Accounts payable	(94,882)	48,350
Estimated third-party payor settlements	94,201	233,230
Accrued expenses	215,493	(1,586)
Net Cash from (used for) Operating Activities	<u>\$ 58,526</u>	<u>\$ (635,817)</u>
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Subscription IT liability for acquisition of right to use assets	<u>\$ 323,735</u>	<u>\$ -</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

Net investment in capital assets consists of net capital assets and right to use leased assets, subscription IT assets, reduced by the outstanding balances of any related debt obligations, lease liabilities, and subscription IT liabilities attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. The Authority had no restricted, expendable net position at June 30, 2024 and 2023.

Restricted – nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Authority had no restricted, nonexpendable net position at June 30, 2024 and 2023.

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

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For the purposes of the statement of cash flows, the Authority considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Short-term Investments

Short-term investments include certificates of deposit with an original maturity date of three to twelve months. Certificates of deposit are recorded at historical cost and held as collateral on the Authority's line of credit agreements (Note 8).

Patient Receivables

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

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

Sales Tax

Effective July 1, 2015, the citizens of Holdenville, Oklahoma, approved a 1% sales tax for the support of the Authority. The sales tax was renewed for an additional fifteen-year period in April 2024 and will expire June 30, 2039. The City of Holdenville collects the sales tax and remits it monthly to the Authority. Revenue from sales tax is recognized in the year in which the sales tax is earned. The Authority received approximately 3% and 4% of its financial support from county appropriations related to sales tax in 2024 and 2023, respectively. These funds were used for operations, maintenance, and improvement of the Authority and its facilities.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

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

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

Right to Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any 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 initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 5 to 6 years.

Right to Use Subscription IT Assets

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

Impairment of Long-Lived Assets

The Authority considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2024 and 2023.

Noncurrent Investments and Investment Income

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

Compensated Absences

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

Lease Liabilities

Lease liabilities represent the Authority's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Authority.

Subscription IT Liabilities

Subscription IT liabilities represent the Authority's obligation to make subscription payments arising from the subscription contract. Subscription IT liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Authority.

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amounts of charges foregone for services provided under the Authority's charity care policy were approximately \$162,000 and \$84,000 for the years ended June 30, 2024 and 2023. Total direct and indirect costs related to these foregone charges were approximately \$81,000 and \$42,000 at June 30, 2024 and 2023, based on an average ratio of cost to gross charges.

340B Program

The Authority is a qualified Section 340B entity of the Public Health Service Act. This federal designation allows the Authority to contract with local community pharmacies to provide care on the Authority's behalf to its commercial insured and Medicare patients. The Authority purchases pharmaceuticals for outpatients use and dispenses through contract pharmacies to eligible patients. The Authority is able to expand the services to the most vulnerable patient populations as a result of access to lower cost medications. The revenues generated of \$1,688,567 and \$2,050,824 are included in other revenue.

Grants and Contributions

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

Note 2 - Net Patient Service Revenue

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

Medicare: The Authority is licensed as a Critical Access Hospital (CAH). The Authority is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Authority and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended June 30, 2022.

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

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

Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the years ended June 30, 2024 and 2023:

	2024	2023
Medicare	35%	42%
Medicaid	15%	19%
Other third-party payors	45%	36%
Self pay	5%	3%
	<u>100%</u>	<u>100%</u>

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

The net patient service revenue for the year ended June 30, 2023, decreased approximately \$241,000, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

CMS Advanced Payment

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

Note 3 - Deposits

The carrying amounts of deposits as of June 30, 2024 and 2023 were \$1,579,627 and \$1,357,860.

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

	2024	2023
Cash and cash equivalents	\$ 799,779	\$ 579,879
Short-term investments	639,042	436,970
Noncurrent investments	140,806	341,011
	<u>\$ 1,579,627</u>	<u>\$ 1,357,860</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Authority's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Authority. State statutes require that investments be made only in U.S. government obligations and that all bank balances are protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance or bonds.

As of June 30, 2024 and 2023, \$9,794 and \$-0- of the Authority's bank balance of \$1,952,677 and \$1,682,159 were exposed to custodial credit risk as follows:

	2024	2023
Insured (FDIC)	\$ 670,000	\$ 500,000
Collateralized by securities held by the pledging financial institution's trust department in the Authority's name	1,272,883	1,182,159
Uninsured and uncollateralized	9,794	-
	<u>\$ 1,952,677</u>	<u>\$ 1,682,159</u>

Investment Income

Investment income on cash and other investments consists primarily of interest from certificates of deposit for the years ended June 30, 2024 and 2023.

Note 4 - Provider Relief Funds

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

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

Holdenville Hospital Authority

Notes to Financial Statements

June 30, 2024 and 2023

During the years ended June 30, 2024 and 2023, the Authority recognized \$-0- and \$667,591 as revenue, included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

Note 5 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Additions	Transfers and Retirements	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 33,919	\$ -	\$ -	\$ 33,919
Construction in progress	-	571,486	-	571,486
Total capital assets not being depreciated	<u>\$ 33,919</u>	<u>\$ 571,486</u>	<u>\$ -</u>	<u>\$ 605,405</u>
Capital assets being depreciated				
Buildings and improvements	\$ 3,889,230	\$ 64,733	\$ (317,488)	\$ 3,636,475
Equipment	<u>5,554,369</u>	<u>76,878</u>	<u>(219,100)</u>	<u>5,412,147</u>
Total depreciable capital assets	<u>9,443,599</u>	<u>\$ 141,611</u>	<u>\$ (536,588)</u>	<u>9,048,622</u>
Less accumulated depreciation for				
Buildings and improvements	(2,615,799)	\$ (156,983)	\$ 292,082	(2,480,700)
Equipment	<u>(4,020,387)</u>	<u>(395,740)</u>	<u>219,100</u>	<u>(4,197,027)</u>
Total accumulated depreciation	<u>(6,636,186)</u>	<u>\$ (552,723)</u>	<u>\$ 511,182</u>	<u>(6,677,727)</u>
Net capital assets being depreciated	<u>\$ 2,807,413</u>			<u>\$ 2,370,895</u>
Right to use leased assets being amortized				
Right to use leased equipment	\$ 781,518	\$ -	\$ -	\$ 781,518
Less accumulated amortization for				
Right to use leased equipment	<u>(545,688)</u>	<u>\$ (128,818)</u>	<u>\$ -</u>	<u>(674,506)</u>
Net right to use leased assets	<u>\$ 235,830</u>			<u>\$ 107,012</u>

Holdenville Hospital Authority

Notes to Financial Statements

June 30, 2024 and 2023

	Balance June 30, 2023	Additions	Transfers and Retirements	Balance June 30, 2024
Right to use subscription IT assets being amortized	\$ -	\$ 329,559	\$ -	\$ 329,559
Less accumulated amortization	-	\$ (51,855)	\$ -	(51,855)
Net right to use subscription IT assets	\$ -			\$ 277,704
Capital assets, net	\$ 3,077,162			\$ 3,361,016

Construction in progress at June 30, 2024, represents a new roof and MRI equipment and remodel. The estimated cost to complete the new roof project is \$770,000, which will be financed with Authority funds, and the MRI project is \$1,040,000, which will be financed with external funding (Note 13).

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

	Balance June 30, 2022	Additions	Transfers and Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 33,919	\$ -	\$ -	\$ 33,919
Capital assets being depreciated				
Buildings and improvements	\$ 3,765,639	\$ 123,591	\$ -	\$ 3,889,230
Equipment	4,916,029	638,340	-	5,554,369
Total depreciable capital assets	8,681,668	\$ 761,931	\$ -	9,443,599
Less accumulated depreciation for				
Buildings and improvements	(2,440,515)	\$ (175,284)	\$ -	(2,615,799)
Equipment	(3,675,839)	(344,548)	-	(4,020,387)
Total accumulated depreciation	(6,116,354)	\$ (519,832)	\$ -	(6,636,186)
Net capital assets being depreciated	\$ 2,565,314			\$ 2,807,413
Right to use leased assets being amortized				
Right to use leased equipment	\$ 781,518	\$ -	\$ -	\$ 781,518
Less accumulated amortization for				
Right to use leased equipment	(407,164)	\$ (138,524)	\$ -	(545,688)
Net right to use leased assets	\$ 374,354			\$ 235,830
Capital assets, net	\$ 2,973,587			\$ 3,077,162

Note 6 - Leases

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

Changes in lease liabilities during the years ended June 30, 2024 and 2023 are as follows:

	Balance June 30, 2023	Additions	Payments	Balance June 30, 2024	Due Within One Year
Right to use asset obligations					
Liabilities for right to use assets	<u>\$ 217,272</u>	<u>\$ -</u>	<u>\$ (134,857)</u>	<u>\$ 82,415</u>	<u>\$ 82,415</u>
	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Right to use asset obligations					
Liabilities for right to use assets	<u>\$ 369,008</u>	<u>\$ -</u>	<u>\$ (151,736)</u>	<u>\$ 217,272</u>	<u>\$ 140,144</u>

As of June 30, 2024 the value of the lease liabilities were \$82,415 and consisted of the following for right to use liabilities:

- Right to use medical equipment the value of the lease liability was \$21,684 at June 30, 2024. The Authority is required to make monthly principal and interest payments of \$2,525 through March 2025. The lease has an interest rate of 6%.
- Right to use CT scanner the value of the lease liability was \$23,808 at June 30, 2024. The Authority is required to make monthly principal and interest payments of \$4,833 through November 2024. The lease liability was valued using a discount rate of 6% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of \$1 at the end of the agreement.
- Right to use medical equipment the value of the lease liability was \$4,637 at June 30, 2024. The Authority is required to make monthly principal and interest payments of \$675 through January 2025. The lease liability was valued using a discount rate of 6% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of \$1 at the end of the agreement.
- Right to use medical equipment the value of the lease liability was \$19,815 at June 30, 2024. The Authority is required to make monthly principal and interest payments of \$2,413 through December 2024. The lease liability was valued using a discount rate of 6% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of \$1 at the end of the agreement. In addition, the agreement contains a product purchase with a remaining commitment of \$18,991.
- Right to use copier agreements the value of the lease liabilities was \$12,471 at June 30, 2024. The Authority is required to make monthly principal and interest payments of \$1,232 through October 2024. The lease liability was valued using a discount rate of 5.5% based on the Authority's incremental borrowing rate. The lease contains a lease purchase option of \$1 at the end of the agreement.

Right to use leased asset obligations maturities are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	<u>\$ 82,415</u>	<u>\$ 1,303</u>

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

The Authority has entered into SBITA agreements for software. The Authority is required to make principal and interest payments through June 2027. The lease liability was valued using a discount rate of 8.25% based on the Authority's incremental borrowing rate at the inception of the SBITAs.

A summary of the changes in subscription IT liabilities during the year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Additions	Payments	Balance June 30, 2024	Due Within One Year
Right to use asset obligations					
Liabilities for right to use assets	\$ -	\$ 323,735	\$ (71,562)	\$ 252,173	\$ 109,342

As of June 30, 2024 the value of the lease liabilities were \$252,173 and consisted of the following for right to use liabilities:

- Medical equipment software the value of the SBITA liability was \$82,140 at June 30, 2024. The Authority is required to make annual principal and interest payments of \$41,070 through July 2025. The SBITA liability was valued using a discount rate of 8.25% based on the Authority's incremental borrowing rate
- Medical equipment software the value of the SBITA liability was \$28,688 at June 30, 2024. The Authority is required to make annual principal and interest payments of \$13,344 through June 2026. The SBITA liability was valued using a discount rate of 8.25% based on the Authority's incremental borrowing rate.
- Medical equipment software the value of the SBITA liability was \$27,764 at June 30, 2024. The Authority is required to make annual principal and interest payments of \$10,684 through March 2026. The SBITA liability was valued using a discount rate of 8.25% based on the Authority's incremental borrowing rate.
- Medical equipment software the value of the SBITA liability was \$113,581 at June 30, 2024. The Authority is required to make monthly principal and interest payments of \$3,442 through March 2027. The SBITA liability was valued using a discount rate of 8.25% based on the Authority's incremental borrowing rate.

Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30,	Principal	Interest
2025	\$ 109,342	\$ 18,533
2026	105,395	10,517
2027	37,436	1,069
Total	\$ 252,173	\$ 30,119

Note 8 - Line of Credit and Long-Term Debt

A schedule of changes in the Authority's line of credit for June 30, 2024 and 2023 is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Line of credit (1)	\$ 106,044	\$ -	\$ (26,093)	\$ 79,951	\$ 79,951
	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Line of credit (1)	\$ -	\$ 110,263	\$ (4,219)	\$ 106,044	\$ 26,093

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

A schedule of changes in the Authority's long-term debt for the years ended June 30, 2024 and 2023 is as follows:

	Balance June 30, 2023	Additions	Payments	Balance June 30, 2024	Amounts Due Within One Year
Notes from Direct Borrowings					
Note payable to bank (2)	\$ 32,333	\$ -	\$ (24,012)	\$ 8,321	\$ 8,321
Note payable to bank (3)	25,619	-	(8,582)	17,037	9,079
Note payable to bank (4)	25,678	-	(25,678)	-	-
Total	\$ 83,630	\$ -	\$ (58,272)	\$ 25,358	\$ 17,400
	Balance June 30, 2022	Additions	Forgiveness/ Payments	Balance June 30, 2023	Amounts Due Within One Year
Notes from Direct Borrowings					
Note payable to bank (2)	\$ 54,991	\$ -	\$ (22,658)	\$ 32,333	\$ 24,012
Note payable to bank (3)	33,735	-	(8,116)	25,619	8,585
Note payable to bank (4)	36,232	-	(10,554)	25,678	12,435
Total	\$ 124,958	\$ -	\$ (41,328)	\$ 83,630	\$ 45,032

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

Long-term debt maturities are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 17,400	\$ 82
2026	7,958	205
Total	<u>\$ 25,358</u>	<u>\$ 287</u>

Note 9 - Pension Plan

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

Note 10 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables for third party payors and patients at June 30, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	18%	34%
Medicaid	6%	10%
Managed care	24%	16%
Commercial and other third-party payors	25%	23%
Self pay	27%	17%
	<u>100%</u>	<u>100%</u>

Note 11 - Contingencies

Risk Management

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

Malpractice Insurance

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

Litigation, Claims, and Disputes

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

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

Note 12 - Supplemental Hospital Offset Payment Program Act

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

The Authority received \$1,447,699 and \$1,129,306, in SHOPP payments included in net patient service revenue, for the years ended June 30, 2024 and 2023.

SHOPP is expected to change in fiscal year 2025 due to the State of Oklahoma's shift to managed care Medicaid. In August 2023, the Authority received \$276,343 as a result of a funding provision in Oklahoma Senate Bill 32x for Hospitals participating in the SHOPP program.

Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Note 13 - Subsequent Events

In August 2024, the Authority signed a master lease agreement for the MRI project and Omnicell equipment. The Authority is required to make 72 monthly payments of \$17,852 and 48 monthly payments of \$3,499.

The Authority has evaluated subsequent events through November 15, 2024, the date which the financial statements are available to be issued.



Supplementary Information
June 30, 2024 and 2023

Holdenville Hospital Authority



Independent Auditor's Report on Supplementary Information

The Board of Trustees
Holdenville Hospital Authority
Holdenville, Oklahoma

We have audited the financial statements of Holdenville Hospital Authority as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated November 15, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The schedules of net patient service revenue, other revenue, and other expenses as of June 30, 2024 and 2023 on pages 31 through 34 are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
November 15, 2024

Holdenville Hospital Authority
Schedules of Net Patient Service Revenue
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Daily Patient Services		
Medical and surgical	\$ 9,588,830	\$ 8,593,288
Clinic	<u>2,375,386</u>	<u>1,894,375</u>
	<u>11,964,216</u>	<u>10,487,663</u>
Other Nursing Services		
Central service supplies	422,429	386,686
Emergency services	8,047,275	7,062,256
Operating and recovery rooms	<u>473,567</u>	<u>504,257</u>
	<u>8,943,271</u>	<u>7,953,199</u>
Other Professional Services		
Laboratory	4,450,540	4,622,557
Occupational therapy	371,095	372,923
Pharmacy	3,019,037	2,916,395
Physical therapy	958,018	960,624
Radiology	5,656,464	5,173,364
Respiratory therapy	466,411	260,018
Dialysis	58,000	36,000
Speech therapy	<u>9,095</u>	<u>13,049</u>
	<u>14,988,660</u>	<u>14,354,930</u>
Charity Care	<u>(162,314)</u>	<u>(84,188)</u>
Total patient service revenue	<u>35,733,833</u>	<u>32,711,604</u>
Reductions from Revenue		
Contractual adjustments	(17,139,731)	(16,463,535)
Provision for bad debts	<u>(1,530,019)</u>	<u>(1,158,982)</u>
Total reductions from revenue	<u>(18,669,750)</u>	<u>(17,622,517)</u>
Net Patient Service Revenue	<u>\$ 17,064,083</u>	<u>\$ 15,089,087</u>

Holdenville Hospital Authority
Schedules of Other Revenue
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Other Revenue		
Drug pricing program	\$ 1,688,567	\$ 2,050,824
Cafeteria	19,099	15,244
Miscellaneous	<u>58,729</u>	<u>80,269</u>
Total Other Revenue	<u><u>\$ 1,766,395</u></u>	<u><u>\$ 2,146,337</u></u>

Holdenville Hospital Authority
Schedule of Expenses as of June 30, 2024
Year Ended June 30, 2024

	2024		
	Salaries and Benefits	Other	Total
Nursing Services			
Medical and surgical	\$ 2,132,892	\$ 1,443,906	\$ 3,576,798
Clinic	2,061,894	486,518	2,548,412
Central service supplies	79,799	71,829	151,628
Emergency services	973,548	1,270,568	2,244,116
Operating and recovery rooms	124,524	386,642	511,166
	<u>\$ 5,372,657</u>	<u>\$ 3,659,463</u>	<u>\$ 9,032,120</u>
Other Professional Services			
Laboratory	\$ 637,164	\$ 526,732	\$ 1,163,896
Pharmacy	94,512	1,412,778	1,507,290
Physical therapy	316,168	95,746	411,914
Radiology	625,101	376,005	1,001,106
Respiratory therapy	130,445	199,285	329,730
	<u>\$ 1,803,390</u>	<u>\$ 2,610,546</u>	<u>\$ 4,413,936</u>
General Services			
Dietary	\$ 224,843	\$ 111,107	\$ 335,950
Environmental	199,498	101,471	300,969
Health information technology	173,190	97,737	270,927
Plant operations	103,097	330,215	433,312
	<u>\$ 700,628</u>	<u>\$ 640,530</u>	<u>\$ 1,341,158</u>
Administrative Services			
Administrative and office	\$ 1,120,361	\$ 2,569,910	3,690,271
Employee benefits	405,454	-	405,454
	<u>\$ 1,525,815</u>	<u>\$ 2,569,910</u>	<u>\$ 4,095,725</u>
Depreciation and amortization	<u>\$ -</u>	<u>733,396</u>	<u>\$ 733,396</u>

Holdenville Hospital Authority
Schedule of Expenses as of June 30, 2023
Year Ended June 30, 2023

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



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

The Board of Trustees
Holdenville Hospital Authority
Holdenville, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Holdenville Hospital Authority (Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2024-001 through 2024-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Authority's Response to Findings

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

Purpose of this Report

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

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

Oklahoma City, Oklahoma
November 15, 2024

Significant Deficiencies in Internal Control Over Financial Reporting:

2024-001 Preparation of Financial Statements

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

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

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

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

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

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

2024-002 Segregation of Duties

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

Condition: During the course of our engagement, we noted the Authority has limited staff completing incompatible accounting functions due to the size of the entity. The Chief Financial Officer prepares journal entries and also has access to assets and reconciling responsibilities. There is no review of journal entries prepared by the Chief Financial Officer.

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

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

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

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

2024-003 Cash Reconciliations

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

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

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

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

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

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