# Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital

# A Component Unit of the City of Lindsay, Oklahoma

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



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#### Independent Auditor's Report

Board of Trustees Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital Lindsay, Oklahoma

#### **Report on the Audit of the Financial Statements**

#### Opinion

We have audited the financial statements of Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital (Authority), a component unit of City of Lindsay, Oklahoma, 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 financial position of the Authority as of June 30, 2024 and 2023 and the 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 audits 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 audits. 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 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**

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements are not affected by this missing information.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 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.

## Forvis Mazars, LLP

Tulsa, Oklahoma December 2, 2024

#### Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital A Component Unit of the City of Lindsay, Oklahoma Balance Sheets June 30, 2024 and 2023

		2024		2023
ASSETS				
Current Assets				
Cash	\$	2,830,827	\$	3,450,777
Short-term investments		1,890,784		1,863,414
Patient accounts receivable, net of allowance; 2024 – \$288,000,		4 0 4 0 0 7 7		1 040 404
2023 – \$232,000 Supplies and proposid expenses		1,946,077		1,613,124
Supplies and prepaid expenses Estimated amounts due from third-party payors		642,682 38,000		677,971
Other		4,628		- 10,904
Gulei		4,020		10,904
Total Current Assets		7,352,998		7,616,190
Capital Assets, Net		6,186,190		5,780,719
Lease Assets, Net		677,425		499,321
Subscription Assets, Net		267,288		101,623
Total Assets	\$	14,483,901	\$	13,997,853
LIABILITIES AND NET POSITION				
Current Liabilities	۴	000.074	۴	400 405
Current portion of lease liabilities	\$	230,074	\$	189,165
Current portion of subscription liabilities Accounts payable		33,015 507,681		21,100 720,898
Accrued expenses		702,268		717,668
Estimated amounts due to third-party payors		-		10,000
Total Current Liabilities		1,473,038		1,658,831
Other Liabilities				
Note payable due to City		132,324		-
Lease liabilities		491,117		339,584
Subscription liabilities		219,446		83,301
Total Liabilities		2,315,925		2,081,716
Net Position				
Net investment in capital assets		6,157,251		5,478,291
Unrestricted		6,010,725		6,437,846
Total Net Position		12,167,976		11,916,137
Total Liabilities and Net Position	\$	14,483,901	\$	13,997,853

#### Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital A Component Unit of the City of Lindsay, Oklahoma Statements of Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible		
accounts; 2024 – \$399,138, 2023 – \$179,011	\$ 19,664,958	\$ 16,465,230
Other	43,103	41,995
Total Operating Revenues	19,708,061	16,507,225
Operating Expenses		
Salaries and wages	9,309,204	8,997,556
Employee benefits	1,735,216	1,710,093
Purchased services and professional fees	3,576,594	2,503,684
Supplies and other	4,270,815	3,245,022
Depreciation and amortization	569,892	518,573
Total Operating Expenses	19,461,721	16,974,928
Operating Income (Loss)	246,340	(467,703)
Nonoperating Revenues (Expenses)		
Interest income	66,638	17,235
Interest expense	(61,139)	(40,567)
Noncapital grants and gifts	(- · , · ) -	746,072
Total Nonoperating Revenues	5,499	722,740
Increase in Net Position	251,839	255,037
Net Position, Beginning of Year	11,916,137	11,661,100
Net Position, End of Year	<u>\$ 12,167,976</u>	<u>\$ 11,916,137</u>

#### Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital A Component Unit of the City of Lindsay, Oklahoma Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b> Receipts from and on behalf of patients Payments to suppliers and contractors Payments to employees Other receipts, net	\$ 19,284,005 (7,748,839) (11,059,820) 43,103	\$ 16,677,545 (5,745,518) (10,596,727) 41,995
Net Cash Provided by Operating Activities	518,449	377,295
<b>Cash Flows from Noncapital Financing Activities</b> Government grants Proceeds from issuance of note payable to City	- 132,324	11,519
Net Cash Provided by Noncapital Financing Activities	132,324	11,519
Cash Flows from Capital and Related Financing Activities Principal paid on leases payable Interest paid on leases payable Principal paid on subscription payable Interest paid on subscription payable Purchase of capital assets	(232,782) (54,918) (45,350) (6,221) (970,720)	(219,234) (34,346) (17,576) (6,221) (2,126,256)
Net Cash Used in Capital and Related Financing Activities	(1,309,991)	(2,403,633)
Cash Flows from Investing Activities Interest on investments	39,268	10,130
Net Cash Provided by Investing Activities	39,268	10,130
Decrease in Cash	(619,950)	(2,004,689)
Cash, Beginning of Year	3,450,777	5,455,466
Cash, End of Year	\$ 2,830,827	\$ 3,450,777

#### Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital A Component Unit of the City of Lindsay, Oklahoma Statements of Cash Flows Years Ended June 30, 2024 and 2023

(Continued)

Reconciliation of Operating Loss to Net Cash Used in Operating Activities		2024		2023
Operating income (loss) Depreciation and amortization Provision for uncollectible accounts	\$	246,340 569,892 399,138	\$	(467,703) 518,573 179,011
Changes in operating assets and liabilities Patient accounts receivable, net		(732,091)		5,304
Estimated amounts due from third-party payors Accounts payable and accrued expenses Supplies and prepaid expenses		(48,000) 41,605 41,565		28,000 124,411 (10,301)
Net Cash Provided by Operating Activities	\$	518,449	\$	377,295
Supplemental Cash Flows Information Lease obligation incurred for lease assets	\$	425,224	\$	293,965
Capital assets acquisitions included in accounts payable Subscription liability incurred for subscription assets	Գ \$ \$	423,224 - 193,410	Գ \$ \$	293,903 270,222 47,197
Noncapital grants and gifts	\$	-	\$	734,553

#### Note 1. Nature of Operations and Summary of Significant Accounting Policies

#### Nature of Operations and Reporting Entity

Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital (Authority) operates an acute care hospital, Lindsay Municipal Hospital (Hospital), under a lease with the City of Lindsay, Oklahoma (City). The Authority is a component unit of the City, and the city council appoints members to the Board of Trustees of the Authority. The Authority primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in central Oklahoma and to the Oklahoma Department of Corrections (ODOC).

#### 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 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 nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific 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 Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024, there were no cash equivalents.

#### 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.

#### Investments and Investment Income

Investments in non-negotiable certificates of deposit are carried at amortized cost. Investment income includes interest income.

#### Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

#### **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	8–15 years
Buildings and improvements	10–30 years
Equipment	3–20 years

#### Lease Assets

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

#### Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

#### Capital, Lease, and Subscription Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

#### **Compensated Absences**

Authority policies permit most employees to accumulate vacation and sick leave 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 vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. 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.

#### 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

#### Net Position

Net position of the Authority is classified in two components:

- Net investment in capital assets consists of capital, lease and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of borrowings used to finance the purchase, use, or construction of those assets
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets

#### 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 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 charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

#### Income Taxes

As an essential government function of the City, 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.

#### 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. The payment arrangements include:

- Oklahoma Department of Corrections Inpatient and outpatient services rendered to ODOC's patients are reimbursed under a cost-based reimbursement methodology (see Note 9). The Authority is reimbursed for certain services at tentative rates with settlements based on quarterly filings.
- **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.
- **Medicaid** Services provided to the state's Medicaid beneficiaries are reimbursed at prospectively determined rates with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Approximately 94% and 90% of net patient service revenue is from patients covered under agreements with ODOC for the years ended June 30, 2024 and 2023, respectively. Less than 10% of net patient service revenue is from participation in the Medicare program for the years ended June 30, 2024 and 2023. The state-sponsored Medicaid program reimburses the Authority for services provided to Medicaid-eligible patients covered by the

contracts with ODOC. This Medicaid reimbursement is deducted from the payments due to the Authority under the ODOC contracts discussed in Note 9. 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.

#### Note 3. 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 does not have a formal policy to address custodial credit risk. State law requires that all deposits of public trusts be insured with federal depository insurance or other acceptable collateral in specific amounts.

At June 30, 2024 and 2023, respectively, approximately \$4,861,000 and \$4,572,000 of the Authority's bank balances of \$4,719,026 and \$5,485,120 were exposed to custodial credit risk as follows:

	 2024	 2023
Uninsured and uncollateralized	\$ 397,000	\$ 43,000
Uninsured and collateral held by pledging financial institution Uninsured and collateral held by pledging financial institution's	2,407,000	3,184,000
trust department or agent in other than the Authority's name	 2,057,000	 1,345,000
	\$ 4,861,000	\$ 4,572,000

The Authority carried approximately 39% of its deposits at the First National Bank of Lindsay (Bank) as of June 30, 2024. In October 2024, the Bank was taken into receivership by the Federal Deposit Insurance Corporation (FDIC). To protect the depositors of the Bank, the FDIC entered into an agreement with another financial institution to purchase the assets of the Bank. The Authority's deposits and access to funds held with the Bank have not been impacted as a result of these transactions.

#### Summary of Carrying Values

The carrying values of deposits shown above are included in the accompanying balance sheets as follows:

	2024	2023
Carrying value Deposits	\$ 4,718,911	\$ 5,311,491
Cash on hand	2,700	\$    5,311,491 2,700
	\$ 4,721,611	\$ 5,314,191
Included in the following balance sheet captions		
Cash	\$ 2,830,827	\$ 3,450,777
Short-term investments	1,890,784	1,863,414
	\$ 4,721,611	\$ 5,314,191

At June 30, 2024 and 2023, short-term investments consisted of certificates of deposit. Investment income of \$66,638 and \$17,235 for the years ended June 30, 2024 and 2032, respectively, consisted of interest income.

#### 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, and to ODOC for services rendered to patients covered under agreements with the Authority.

Patient accounts receivable at June 30, 2024 and 2023 consisted of:

		2023		
Medicare	\$	33,876	\$	73,654
Medicaid		19,801		23,042
Other third-party payors		333,612		263,067
Oklahoma Department of Corrections		1,535,575		1,227,530
Patients		311,213		257,831
		2,234,077		1,845,124
Less allowance for uncollectible accounts		288,000		232,000
	\$	1,946,077	\$	1,613,124

#### Note 5. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended June 30, 2024 and 2023 was:

	Beginning Balance	Additions	_Disposals_		Ending Balance
2024					
Land	\$ 21,564	\$-	\$-	\$-	\$ 21,564
Land improvements	77,680	-	-	63,375	141,055
Buildings and improvements	5,290,227	182,685	-	2,324,262	7,797,174
Equipment	3,560,966	-	(86,411)	11,766	3,486,321
Construction in progress	1,890,805	517,813		(2,399,403)	9,215
	10,841,242	700,498	(86,411)		11,455,329
Less accumulated depreciation					
Land improvements	37,894	6,063	-	-	43,957
Buildings and improvements	2,414,708	132,521	-	-	2,547,229
Equipment	2,607,921	156,443	(86,411)	-	2,677,953
	5,060,523	295,027	(86,411)		5,269,139
Capital assets, net	<u>\$ 5,780,719</u>	\$ 405,471	<u>\$ -</u>	<u>\$ -</u>	\$ 6,186,190
2023					
Land	\$ 21,564	\$-	\$-	\$-	\$ 21,564
Land improvements	59,566	18,114	-	-	77,680
Buildings and improvements	4,212,255	7,607	-	1,070,365	5,290,227
Equipment	3,537,380	23,586	-	.,,	3,560,966
Construction in progress	745,095	2,216,075		(1,070,365)	1,890,805
	8,575,860	2,265,382			10,841,242
Less accumulated depreciation					
Land improvements	35,604	2,290	-	-	37,894
Buildings and improvements	2,302,101	112,607	-	-	2,414,708
Equipment	2,449,503	158,418	-	-	2,607,921
•••	4,787,208	273,315			5,060,523
Capital assets, net	<u>\$ 3,788,652</u>	<u>\$ 1,992,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,780,719</u>

	eginning Balance	Additions		Disposals		Transfers	Ending Balance
2024 Equipment Less accumulated	\$ 920,185	\$	425,224	\$	(232,086)	\$-	\$ 1,113,323
amortization	 420,864		247,120		(232,086)		 435,898
Lease assets, net	\$ 499,321	\$	178,104	\$		\$-	\$ 677,425
<b>2023</b> Equipment Less accumulated	\$ 626,220	\$	293,965	\$	-	\$-	\$ 920,185
amortization	 195,960		224,904		-		 420,864
Lease assets, net	\$ 430,260	\$	69,061	\$		\$-	\$ 499,321

Lease assets activity for the years ended June 30, 2024 and 2023 was:

Subscription assets activity for the years ended June 30, 2024 and 2023 was:

	eginning Balance	Additions		lditions Disposals		Transfers		Ending Balance		
2024 Subscription assets Less accumulated	\$ 121,977	\$	193,410	\$	(17,572)	\$	-	\$	297,815	
amortization	 20,354		27,745		(17,572)		-		30,527	
Subscription assets, net	\$ 101,623	\$	165,665	\$		\$	-	\$	267,288	
<b>2023</b> Subscription assets Less accumulated	\$ 74,780	\$	47,197	\$	-	\$	-	\$	121,977	
amortization	 -		20,354		-		-		20,354	
Subscription assets, net	\$ 74,780	\$	26,843	\$	_	\$	_	\$	101,623	

#### Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2024 and 2023 consisted of:

	 2024	2023		
Payable to suppliers and contractors	\$ 460,138	\$	683,460	
Payable to patients	47,543		37,438	
Payable to employees (including salaries and payroll taxes)	322,706		391,317	
Accrued vacation	327,403		307,738	
Other	 52,159		18,613	
	\$ 1,209,949	\$	1,438,566	

#### Note 7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30, 2024 and 2023:

	eginning Balance	A	dditions	De	eductions	Ending Balance	Current Portion
2024							
Note payable to City	\$ -	\$	132,324	\$	-	\$ 132,324	\$ -
Lease liabilities	528,749		425,224		(232,782)	721,191	230,074
Subscription liabilities	 104,401		193,410		(45,350)	 252,461	 33,015
Total long-term obligations	\$ 633,150	\$	750,958	\$	(278,132)	\$ 1,105,976	\$ 263,089
2023							
Lease liabilities	\$ 454,018	\$	293,965	\$	(219,234)	\$ 528,749	\$ 189,165
Subscription liabilities	 74,780		47,197		(17,576)	 104,401	 21,100
Total long-term obligations	\$ 528,798	\$	341,162	\$	(236,810)	\$ 633,150	\$ 210,265

#### Note Payable to City

In June 2024, the City determined an error in utilities billing caused the Authority to be under-billed for utilities services dating back to July 2022. The City and the Authority entered a preliminary settlement agreement of \$132,324 owed for the under-billed utilities services. Payment terms on the settlement agreement are \$1,100 paid monthly for a period of 10 years until all amounts outstanding are paid. As of December 2, 2024, payments on the settlement have not yet begun and the agreement is pending final approval by all parties.

#### Lease Liabilities

The Authority leases equipment, the terms of which expire in various years through 2031. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the years ended June 30, 2024 and 2023, the Authority recognized \$88,138 and \$78,974, respectively, of rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of June 30, 2024:

		otal to Paid Princip		rincipal	Interest		
2025	\$	275,005	\$	230,074	\$	44,931	
2026		199,530		170,706		28,824	
2027		122,537		103,523		19,014	
2028		101,334		89,287		12,047	
2029		59,252		52,113		7,139	
2030-2031		79,585		75,488		4,097	
		837,243	\$	721,191	\$	116,052	

#### Subscription Liabilities

The Authority has various SBITAs, the terms of which expire in various years through 2033. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance. There were no outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of June 30, 2024:

Year Ending June 30,		otal to Paid	P	rincipal	Interest		
2025	\$	49,755	\$	33,015	\$	16,740	
2026		49,748		35,345		14,403	
2027		49,742		37,841		11,901	
2028		49,735		40,515		9,220	
2029		34,955		28,486		6,469	
2030-2033		87,590		77,259		10,331	
	\$	321,525	\$	252,461	\$	69,064	

#### Line of Credit

Subsequent to year end, in October 2024 the Authority obtained a \$900,000 revolving bank line of credit with interest due monthly at 6% and due October 2025. The line is collateralized by a certificate of deposit held at the lending institution. The Authority has drawn \$750,000 on this line of credit as of December 2, 2024.

#### Note 8. 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. At June 30, 2024 and 2023, the Authority recorded no accrual based on its claims experience for these claims. It is reasonably possible that this estimate could change materially in the near term.

#### Note 9. Contracts with the Oklahoma Department of Corrections

During 2001, the Authority entered into three agreements with ODOC related to services to be provided by the Authority. Those agreements included the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract. Each agreement was for an initial period of 10 years with two five-year renewal options. New agreements were signed by the Authority and ODOC effective September 1, 2011 for a period of 10 years with two five-year renewal options.

Under the Occupancy Agreement signed in 2001, the Authority granted ODOC exclusive rights to occupy 21 beds of the hospital and certain outpatient facilities for provision of medical services to prisoners of ODOC. The Occupancy Agreement signed in 2011 was expanded to 22 beds.

Effective September 1, 2017, ODOC and the Authority agreed to extend the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract, including a continuation of the 8% administrative fee. There have been no further amendments to the contracts through the date the financial statements were issued.

Effective September 1, 2021, ODOC and the Authority agreed to renew the contracts under the same terms and conditions through August 31, 2026.

#### Note 10. Pension Plan

The Authority contributes to a defined contribution pension plan (Plan) covering substantially all employees. 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 Board of Trustees. The Plan provides retirement 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 for plan members and the Authority expressed as a percentage of covered payroll were 3.7% and 2.7%, respectively, for 2024 and 4.1% and 2.1% for 2023, respectively. Contributions actually made by plan members and the Authority were approximately \$283,000 and \$203,000 during 2024 and approximately \$378,000 and \$199,000 during 2023, respectively.

#### Note 11. Litigation

The Authority may be subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Authority's commercial insurance, 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. It is the opinion of management that the disposition or ultimate resolution of any such claims and lawsuits will not have a material adverse effect on the financial statements of the Authority. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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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 Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital Lindsay, 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 Lindsay Municipal Hospital Authority d/b/a Lindsay Municipal Hospital (Authority), a component unit of the City of Lindsay, Oklahoma, which comprise the Authority's balance sheet as of June 30, 2024 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 December 2, 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 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 with a deficiency or a combination of deficiencies, in internal control 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.

#### **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 Mazars, LLP

Tulsa, Oklahoma December 2, 2024

Reference	
Number	Finding

No matters are reportable.