




# **McAlester Regional Health Center Authority**

**A Component Unit of the City of  
McAlester, Oklahoma**

**Independent Auditor's Reports and Financial  
Statements**

June 30, 2024 and 2023



**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Contents**  
**June 30, 2024 and 2023**

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<b>Independent Auditor's Report.....</b>	<b>1</b>
<b>Financial Statements</b>	
Balance Sheets .....	3
Statements of Revenues, Expenses, and Changes in Net Position .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	8
<b>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.....</b>	<b>36</b>

## **Independent Auditor's Report**

Board of Trustees  
McAlester Regional Health Center Authority  
McAlester, Oklahoma

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

#### ***Opinion***

We have audited the financial statements of McAlester Regional Health Center Authority (Authority), a component unit of the City of McAlester, 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 its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### ***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 GAAP 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 GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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  
October 31, 2024

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Balance Sheets**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,823,989	\$ 11,401,958
Short-term investments	727,529	1,388,115
Patient accounts receivable, net of allowance; 2024 – \$24,770,000, 2023 – \$13,407,000	11,824,951	9,092,239
Supplies	2,735,973	3,173,212
Prepaid expenses and other	2,090,495	2,624,924
<b>Total Current Assets</b>	<b>25,202,937</b>	<b>27,680,448</b>
<b>Noncurrent Cash and Investments</b>		
Restricted cash	3,240,549	2,486,154
Other long-term investments	7,775,542	9,837,146
Investments in and advances to equity investees	5,562,330	5,183,602
<b>Total Noncurrent Cash and Investments</b>	<b>16,578,421</b>	<b>17,506,902</b>
<b>Capital Assets, Net</b>	<b>38,019,655</b>	<b>40,738,160</b>
<b>Lease Assets, Net</b>	<b>3,722,784</b>	<b>3,742,616</b>
<b>Subscription Assets, Net</b>	<b>986,996</b>	<b>1,361,487</b>
<b>Leases Receivable</b>	<b>746,467</b>	<b>581,937</b>
<b>Total Assets</b>	<b>\$ 85,257,260</b>	<b>\$ 91,611,550</b>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Balance Sheets**  
**June 30, 2024 and 2023**

**(Continued)**

	<b>2024</b>	<b>2023</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 6,860,214	\$ 14,410,412
Current portion of lease liabilities	1,383,989	993,001
Current portion of subscription liabilities	656,638	731,823
Accounts payable	10,069,047	8,361,806
Accrued expenses	7,297,733	6,387,295
Estimated amounts due to third-party payors	557,330	20,000
<b>Total Current Liabilities</b>	<u>26,824,951</u>	<u>30,904,337</u>
<b>Other Liabilities</b>		
Long-term debt	7,849,325	1,550,655
Lease liabilities	2,580,740	3,014,213
Subscription liabilities	282,464	563,001
<b>Total Other Liabilities</b>	<u>10,712,529</u>	<u>5,127,869</u>
<b>Total Liabilities</b>	<u>37,537,480</u>	<u>36,032,206</u>
<b>Deferred Inflows of Resources – Leases</b>	<u>750,198</u>	<u>584,845</u>
<b>Net Position</b>		
Net investment in capital assets	23,116,065	24,579,158
Restricted – expendable for		
Capital acquisitions	2,486,154	2,486,154
Unrestricted	21,367,363	27,929,187
<b>Total Net Position</b>	<u>46,969,582</u>	<u>54,994,499</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u><u>\$ 85,257,260</u></u>	<u><u>\$ 91,611,550</u></u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2024 – \$10,423,239, 2023 – \$6,803,154	\$ 91,149,430	\$ 88,685,762
Other	6,367,873	3,510,068
<b>Total Operating Revenues</b>	<b>97,517,303</b>	<b>92,195,830</b>
<b>Operating Expenses</b>		
Salaries and wages	45,050,962	44,942,268
Employee benefits	7,756,549	6,881,568
Purchased services and professional fees	21,135,152	20,513,167
Supplies and other	28,951,931	24,935,674
Depreciation and amortization	6,921,314	7,187,729
<b>Total Operating Expenses</b>	<b>109,815,908</b>	<b>104,460,406</b>
<b>Operating Loss</b>	<b>(12,298,605)</b>	<b>(12,264,576)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Gain (Loss) on investments in equity investees	(204,740)	755,882
Loss on acquisition of ASLG	-	(6,005,340)
Insurance recoveries, net of asset impairment	888,528	1,363,075
Investment return	1,170,799	690,217
Noncapital grants and gifts	614,703	559,917
Interest expense	(892,777)	(635,703)
Government grants	1,990,713	1,654,279
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,567,226</b>	<b>(1,617,673)</b>
<b>Loss Before Capital Appropriations</b>	<b>(8,731,379)</b>	<b>(13,882,249)</b>
<b>Capital Appropriations</b>	<b>706,462</b>	<b>644,968</b>
<b>Decrease in Net Position</b>	<b>(8,024,917)</b>	<b>(13,237,281)</b>
<b>Net Position, Beginning of Year</b>	<b>54,994,499</b>	<b>68,231,780</b>
<b>Net Position, End of Year</b>	<b>\$ 46,969,582</b>	<b>\$ 54,994,499</b>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 89,312,262	\$ 86,588,140
Payments to suppliers and contractors	(47,446,920)	(43,867,210)
Payments to employees	(52,415,795)	(51,903,213)
Other receipts, net	6,394,251	3,591,179
<b>Net Cash Used in Operating Activities</b>	<b>(4,156,202)</b>	<b>(5,591,104)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Noncapital grants and gifts	2,605,416	559,917
Government grants	-	1,654,279
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>2,605,416</b>	<b>2,214,196</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(1,922,079)	(1,413,994)
Interest paid on long-term debt	(679,773)	(308,284)
Proceeds from issuance of long-term debt	670,551	1,317,728
Purchase of capital assets	(2,393,148)	(3,442,607)
Principal paid on leases payable	(1,096,654)	(927,591)
Interest paid on leases payable	(146,034)	(240,340)
Principal paid on subscription assets	(820,618)	(847,829)
Interest paid on subscription assets	(66,970)	(87,079)
Principal payments received on leases receivable	200,077	-
Interest payments received on leases receivable	32,738	-
Appropriations restricted for capital projects – City of McAlester	706,462	644,968
Proceeds from insurance recoveries	888,528	-
Proceeds from disposal of capital assets	77,349	-
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(4,549,571)</b>	<b>(5,305,028)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(835,979)	(3,371,561)
Proceeds from disposition of investments	3,558,169	2,838,429
Investment loss	1,138,061	690,217
Loss from equity investee	(81,228)	-
Advances to equity investee	(602,240)	-
Distributions from equity investee	100,000	-
Proceeds from acquisition of ASLG, net of cash acquired	-	51,825
<b>Net Cash Provided by Investing Activities</b>	<b>3,276,783</b>	<b>208,910</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(2,823,574)</b>	<b>(8,473,026)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>13,888,112</b>	<b>22,361,138</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,064,538</b>	<b>\$ 13,888,112</b>



**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 7,823,989	\$ 11,401,958
Cash and cash equivalents in restricted cash	<u>3,240,549</u>	<u>2,486,154</u>
Total cash and cash equivalents	<u><u>\$ 11,064,538</u></u>	<u><u>\$ 13,888,112</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (12,298,605)	\$ (12,264,576)
Depreciation and amortization	6,921,314	7,187,729
Accrued self-insurance costs	416,426	(304,493)
Provision for uncollectible accounts	10,423,239	6,803,154
Changes in operating assets and liabilities		
Patient accounts receivable	(13,155,951)	(6,466,813)
Estimated amounts due to/from third-party payors	537,330	(2,672,486)
Accounts payable and accrued expenses	2,201,253	1,938,701
Supplies and prepaid expenses	998,046	122,687
Deferred inflows from leases	(199,254)	-
Other assets and liabilities	<u>-</u>	<u>64,993</u>
Net cash used in operating activities	<u><u>\$ (4,156,202)</u></u>	<u><u>\$ (5,591,104)</u></u>
<b>Supplemental Cash Flows Information</b>		
Lease obligation incurred for lease assets	\$ 1,198,596	\$ 1,404,164
Subscription obligation incurred for subscription assets	\$ 464,896	\$ -

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

### ***Nature of Operations***

The McAlester Regional Health Center Authority (Authority) was created by a trust indenture dated August 11, 1969 as a public trust and an agency of the State of Oklahoma for the benefit of the City of McAlester, Oklahoma (City) and the surrounding area. The Authority operates, as its sole activity, McAlester Regional Health Center (Health Center). Substantially all property and equipment used by the Authority is subject to a 50-year lease agreement with the City commencing December 19, 1973. Effective May 1, 2016, the Authority amended the lease agreement for an additional 20 years until December 18, 2043.

The Authority primarily earns revenues by providing inpatient, outpatient, and emergency services to patients in McAlester, Oklahoma, and surrounding communities. The Authority also operates physician clinics and a rehabilitation unit and provides home health services in the same geographic area.

### ***Reporting Entity***

The accompanying financial statements present the Authority and its blended component units, entities for which the Authority is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government and do not issue separate financial statements.

### ***Blended Component Units***

The McAlester Regional Health Center Foundation (Foundation) is a legally separate, tax-exempt component unit of the Authority. The Foundation's primary purpose is to raise and hold funds to support the Authority and its programs. Although the Authority does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are to be used for the benefit of the Authority. The Authority appoints the Board of Directors of the Foundation and, accordingly, the Foundation is included as a component unit in the Authority's financial statements using the blended method. All significant intercompany accounts and transactions between the Authority and the Foundation have been eliminated in the accompanying financial statements.

The Auxiliary Volunteer Services of McAlester Regional Health Center (Auxiliary) is a legally separate, tax-exempt component unit of the Authority. The Auxiliary's primary function is to raise and hold funds to support the Authority and its programs. The board of the Auxiliary is self-perpetuating, but the director of the Auxiliary is appointed by the chief executive officer of the Authority. Because the Authority's Board of Trustees has final approval for the use of all assets of the Auxiliary, the Auxiliary is included as a component unit in the Authority's financial statements using the blended method. All significant intercompany accounts and transactions between the Authority and the Auxiliary have been eliminated in the accompanying financial statements.

McAlester Medical Services, LLC (MMS) employs physicians and other healthcare providers. The Authority is the sole corporate member of MMS. MMS is included as a blended component unit of the Authority in the accompanying financial statements as it is essentially operating as a division of the Health Center's operations.

McAlester Ambulatory Surgery Center (Surgery Center) provides surgical services to patients in McAlester, Oklahoma, and the surrounding area. The Authority holds 100% ownership of the Surgery Center as of January 31, 2019. The Surgery Center is included as a blended component unit of the Authority in the accompanying financial statements as it is essentially operating as a division of the Health Center's operations.

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

---

Associated Senior Living Group (ASLG) was formed in November 2018 for the purpose of investing in and managing the operations of Belfair of McAlester, LLC (Belfair), which is an assisted living center located in McAlester, Oklahoma. Belfair started operations in May 2019. On June 30, 2023, the Authority entered into a transaction to acquire 50% of the ownership of ASLG, bringing its ownership up to 75% (see Note 17). Before June 30, 2023, the Authority had a 50% interest in ASLG, which owned an approximate 52% interest in Associated Healthcare Group, LLC (AHG). AHG owned 95% of Belfair. As a result, the Authority's ownership interest before June 30, 2023, approximated 25% ownership interest in Belfair. The Authority is listed as a 25% guarantor on a certain AHG loan, with the Authority's total guarantee on the loan being approximately \$1,618,000 as of June 30, 2024.

***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, liabilities, and deferred inflows of resources 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 and sales tax appropriations) 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, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources 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, cash equivalents consisted primarily of money market accounts with brokers.

Included in short-term investments on the accompanying balance sheet are money market mutual funds with brokers that the Authority does not consider cash equivalents.

***Investments and Investment Income***

All investments are carried at fair value except for non-negotiable certificates of deposit, which are carried at amortized cost. The investment in equity investees is reported on the equity method of accounting. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments sold, and the net change for the year in the fair value of investments carried at fair value.

***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.

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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***Supplies***

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

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Land improvements	15–20 years
Buildings, fixed equipment, and leasehold improvements	10–40 years
Major moveable 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 or 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 or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical costs and related accumulated depreciation are decreased proportionately such that the net decrease equals 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 paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

***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

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

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

***Restricted Cash***

The Authority received appropriations related to excise taxes levied by two city ordinances to provide revenues for the purpose of financing and constructing a cancer treatment facility, with total funds not to exceed \$1,750,000, and a wellness facility, with total funds not to exceed \$6,000,000, in the City. The Authority reached the maximum funding levels from each excise tax during 2010. Approximately \$82,000 and \$79,000 of the funds under the excise taxes remain unspent and are reflected on the accompanying balance sheets as restricted cash at June 30, 2024 and 2023, respectively.

The Authority also has cash that is externally restricted as discussed in the *County Appropriations* section below.

***Deferred Inflows of Resources***

The Authority reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

***Net Position***

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

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

***Net Patient Service Revenue***

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

***Charity Care***

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

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

---

***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 (Code) and a similar provision of state law. The Authority's blended component units are generally exempt from income taxes under Section 501 of the Code and a similar provision of Oklahoma statutes. However, the Authority is subject to federal income tax on any unrelated business taxable income.

***County Appropriations***

In 2018, the citizens of the City approved a 1/8-cent sales tax ordinance, the proceeds of which are to be earmarked for future construction of a new cancer treatment center, which will provide expanded cancer care and ancillary services to the surrounding area. The sales tax went into effect on October 1, 2018. Revenue from city appropriations is recognized in the year in which the sales tax is earned and is recorded as capital grants and gifts and capital appropriations in the accompanying statements of revenues, expenses, and changes in net position. The provisions of this ordinance and the collection of the related sales tax shall expire on July 1, 2033. Approximately \$3,159,000 and \$2,407,000 of receipts from the sales tax ordinance remain unspent and are reflected in the accompanying balance sheets as restricted cash at June 30, 2024 and 2023, respectively. Sales tax revenue was approximately \$706,000 and \$644,000 for the years ended June 30, 2024 and 2023, respectively.

***Other Operating Revenue***

Other operating revenue primarily includes revenue from the residents of the Authority's assisted living community (Van Buren House), fees associated with wellness programs available to employees of the Authority and residents of the City, and cafeteria sales.

***Supplemental Hospital Offset Payment Program***

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

During the years ended June 30, the Authority had the following activity related to the SHOPP:

	<u>2024</u>	<u>2023</u>
SHOPP and Managed Care funds received	\$ 9,449,000	\$ 8,622,000
Assessment fees paid	<u>2,329,000</u>	<u>2,047,000</u>
Net benefit under SHOPP	<u>\$ 7,120,000</u>	<u>\$ 6,575,000</u>

Effective April 1, 2024, the Oklahoma Health Care Authority implemented Sooner Select, a Medicaid Managed Care program, covering the majority of Medicaid-eligible individuals. A component of the implementation of Sooner Select was the segregation of historical SHOPP funding into two separate categories—Directed Payments associated with Sooner Select enrollees and traditional SHOPP payments associated with enrollees not included in the Medicaid Managed Care program. The impact to the Authority, beginning in fiscal year 2024, is expected to be a material increase in SHOPP funding over the two programs, resulting in an estimated net benefit of approximately \$8,600,000. The SHOPP revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses, and changes in net position.

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

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. These payment arrangements include:

**Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor.

**Medicaid** – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates with no retroactive adjustment. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Approximately 56% and 58% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2024 and 2023, respectively. 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, Investments, and Investment Income**

### ***Deposits***

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires collateralization of all deposits with federal depository insurance or other acceptable collateral in specific amounts.

At June 30, 2024 and 2023, approximately \$300,000 and \$360,000, respectively, of the Authority's bank balances of approximately \$11,710,000 and \$12,404,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

The above amounts exclude deposits held by the Authority's blended component units with bank balances of approximately \$886,000 and \$1,244,000, respectively, and carrying values of approximately \$683,000 and \$1,092,000 at June 30, 2024 and 2023, respectively.

As nongovernmental entities, the blended component units are not subject to collateralization requirements. At June 30, 2024 and 2023, the blended component units' cash accounts exceeded federally insured limits by approximately \$300,000 and \$1,332,000, respectively.

### ***Investments***

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

a limited extent, in corporate bonds, mutual funds, and other equity securities as approved by the Board of Trustees.

At June 30, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
2024					
Money market mutual funds	\$ 106,840	\$ 106,840	\$ -	\$ -	\$ -
Mutual funds	5,851,722	5,851,722	-	-	-
	5,958,562	\$ 5,958,562	\$ -	\$ -	\$ -
Exchange-traded funds	1,631,829				
	<u>\$ 7,590,391</u>				
2023					
Money market mutual funds	\$ 97,535	\$ 97,535	\$ -	\$ -	\$ -
Mutual funds	7,032,399	7,032,399	-	-	-
	7,129,934	\$ 7,129,934	\$ -	\$ -	\$ -
Exchange-traded funds	2,355,690				
	<u>\$ 9,485,624</u>				

**Interest Rate Risk** – The Authority’s investment policy does not specifically limit the maturity of investments as a means of limiting its exposure to fair value losses arising from rising interest rates. The money market mutual funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s investment policy does not specifically address management of credit risk.

At June 30, 2024 and 2023, none of the Authority’s investments not directly guaranteed by the U.S. government were rated.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority’s investment policy does not address custodial credit risk.

**Concentration of Credit Risk** – The Authority limits exposure of the portfolio to any one issuer, other than the U.S. government or its agencies, certificates of deposit, and money market investments, to 25% of the market value of the fund in one industry and 10% in any one company.



**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

***Summary of Carrying Values***

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

	<u><b>2024</b></u>	<u><b>2023</b></u>
Carrying value		
Deposits	\$ 11,975,918	\$ 15,626,449
Investments	7,590,391	9,485,624
Petty cash	1,300	1,300
	<u><u>\$ 19,567,609</u></u>	<u><u>\$ 25,113,373</u></u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 7,823,989	\$ 11,401,958
Short-term investments	727,529	1,388,115
Restricted cash	3,240,549	2,486,154
Other long-term investments	7,775,542	9,837,146
	<u><u>\$ 19,567,609</u></u>	<u><u>\$ 25,113,373</u></u>

***Investment Income***

Investment income for the years ended June 30 consisted of:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Interest, dividends, and realized gains on sales of investments, net	\$ 66,533	\$ 525,474
Net increase in fair value of investments	1,104,266	164,743
Total	<u><u>\$ 1,170,799</u></u>	<u><u>\$ 690,217</u></u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 4. Patient Accounts Receivable**

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30 consisted of:

	<u>2024</u>	<u>2023</u>
Medicare	\$ 9,432,359	\$ 6,946,787
Medicaid	3,269,932	2,535,701
Other third-party payors	14,598,910	9,963,890
Patients	<u>9,293,750</u>	<u>3,052,861</u>
	36,594,951	22,499,239
Less allowance for uncollectible accounts	<u>24,770,000</u>	<u>13,407,000</u>
	<u><u>\$ 11,824,951</u></u>	<u><u>\$ 9,092,239</u></u>

**Note 5. Investments in and Advances to Equity Investees**

The Authority's investments in and advances to equity investees relate to ownership interest in the following entities accounted for using the equity method as of June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Investments in and Advances to Equity Investees</u>	<u>Approximate Ownership Interest %</u>	<u>Investments in and Advances to Equity Investees</u>	<u>Approximate Ownership Interest %</u>
Tecumseh	\$ 3,333,186	9%	\$ 3,245,000	9%
LifeCare	1,363,291	12%	1,162,000	12%
LAIE	790,852	10%	701,000	10%
Other insignificant investments in equity investees	<u>75,001</u>	Various	<u>75,602</u>	Various
	<u><u>\$ 5,562,330</u></u>		<u><u>\$ 5,183,602</u></u>	

**Tecumseh Health Reciprocal Risk Retention (Tecumseh)** – The Authority purchases its professional liability (medical malpractice) and general liability insurance coverage from Tecumseh (see Note 7). For the years ended June 30, 2024 and 2023, the Authority paid approximately \$285,000 and \$406,000, respectively, to Tecumseh for the coverage.

**LifeCare Health Services, L.L.C. (LifeCare)** – LifeCare is a joint venture between other hospitals in Oklahoma, organized to collaborate and share expenses and expertise to expand or enhance healthcare services in the communities served by each participating hospital in furtherance of their independent missions.

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**LifeCare Association Insurance Exchange (LAIE)** – LAIE is a joint venture between Oklahoma hospitals organized to serve as a captive insurance company and provide property insurance to its members. For the years ended June 30, 2024 and 2023, the Authority paid approximately \$209,000 and \$151,000, respectively, to LAIE for the coverage.

**Other Insignificant Investments in Equity Investees** – The Authority holds other insignificant investments in Upper Midwest Consolidated Services Center, LLC and Southeast Alliance Network, Inc.

The financial position and results of operations of the significant equity investees are summarized below. The information summarized below represents the results of operations for LifeCare and LAIE for the years ended June 30, 2024 and 2023 (unaudited) and the results of operations for Tecumseh for the years ended December 31, 2023 and 2022 (audited).

Complete financial statements of the equity investees may be obtained by contacting the Authority's management.

	<b>December 31, 2023</b>	<b>June 30, 2024</b>	
	<b>Tecumseh</b>	<b>LAIE</b>	<b>LifeCare</b>
Current assets	\$ 67,129,207	\$ 14,605,152	\$ 10,190,815
Property and other long-term assets, net	-	-	1,991,252
Total assets	<u>\$ 67,129,207</u>	<u>\$ 14,605,152</u>	<u>\$ 12,182,067</u>
Total liabilities	\$ 27,401,776	\$ 7,000,808	\$ 789,539
Partners' equity	39,727,431	7,604,344	11,392,528
Total liabilities and partners' equity	<u>\$ 67,129,207</u>	<u>\$ 14,605,152</u>	<u>\$ 12,182,067</u>
Revenues	<u>\$ 12,658,724</u>	<u>\$ 1,904,854</u>	<u>\$ 5,262,958</u>
Excess (deficiency) of revenues over expenses	<u>\$ (304,752)</u>	<u>\$ (2,507,489)</u>	<u>\$ 1,365,544</u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

	December 31, 2022	June 30, 2023	
	Tecumseh	LAIE	LifeCare
Current assets	\$ 59,195,820	\$ 9,705,044	\$ 8,760,985
Property and other long-term assets, net	-	-	2,389,799
Total assets	<u>\$ 59,195,820</u>	<u>\$ 9,705,044</u>	<u>\$ 11,150,784</u>
Total liabilities	\$ 24,462,663	\$ 5,337,059	\$ 1,062,292
Partners' equity	34,733,157	4,367,985	10,088,492
Total liabilities and partners' equity	<u>\$ 59,195,820</u>	<u>\$ 9,705,044</u>	<u>\$ 11,150,784</u>
Revenues	<u>\$ 9,928,086</u>	<u>\$ 2,141,051</u>	<u>\$ 3,274,219</u>
Excess (deficiency) of revenues over expenses	<u>\$ (233,338)</u>	<u>\$ (2,836,327)</u>	<u>\$ 516,001</u>

**Note 6. Capital, Lease, and Subscription Assets**

Capital assets activity for the years ended June 30 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>2024</b>					
Land	\$ 1,260,789	\$ -	\$ -	\$ -	\$ 1,260,789
Land improvements	2,685,360	-	-	-	2,685,360
Buildings, fixed equipment, and improvements	75,785,341	486,343	(35,000)	20,709	76,257,393
Major moveable equipment	49,473,094	690,996	(240,276)	-	49,923,814
Construction in progress	378,470	1,215,809	-	(20,709)	1,573,570
	<u>129,583,054</u>	<u>2,393,148</u>	<u>(275,276)</u>	<u>-</u>	<u>131,700,926</u>
Less accumulated depreciation					
Land improvements	1,622,217	65,053	-	-	1,687,270
Buildings, fixed equipment, and improvements	46,627,175	2,241,521	(25,688)	-	48,843,008
Major moveable equipment	40,595,502	2,701,352	(145,861)	-	43,150,993
	<u>88,844,894</u>	<u>5,007,926</u>	<u>(171,549)</u>	<u>-</u>	<u>93,681,271</u>
Capital assets, net	<u>\$ 40,738,160</u>	<u>\$ (2,614,778)</u>	<u>\$ (103,727)</u>	<u>\$ -</u>	<u>\$ 38,019,655</u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>2023</b>					
Land	\$ 1,182,789	\$ 78,000	\$ -	\$ -	\$ 1,260,789
Land improvements	2,153,360	532,000	-	-	2,685,360
Buildings, fixed equipment, and improvements	70,809,388	3,183,559	-	1,792,394	75,785,341
Major moveable equipment	48,094,463	1,378,631	-	-	49,473,094
Construction in progress	477,370	1,693,494	-	(1,792,394)	378,470
	<u>122,717,370</u>	<u>6,865,684</u>	<u>-</u>	<u>-</u>	<u>129,583,054</u>
Less accumulated depreciation					
Land improvements	1,557,164	65,053	-	-	1,622,217
Buildings, fixed equipment, and improvements	44,140,720	2,486,455	-	-	46,627,175
Major moveable equipment	37,797,950	2,797,552	-	-	40,595,502
	<u>83,495,834</u>	<u>5,349,060</u>	<u>-</u>	<u>-</u>	<u>88,844,894</u>
Capital assets, net	<u>\$ 39,221,536</u>	<u>\$ 1,516,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,738,160</u>

Lease assets activity for the years ended June 30 was:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>2024</b>					
Buildings	\$ 2,916,100	\$ -	\$ (267,065)	\$ -	\$ 2,649,035
Major moveable equipment	2,481,265	1,198,596	-	-	3,679,861
	<u>5,397,365</u>	<u>1,198,596</u>	<u>(267,065)</u>	<u>-</u>	<u>6,328,896</u>
Less accumulated depreciation					
Buildings	672,632	530,737	(122,638)	-	1,080,731
Major moveable equipment	982,117	543,264	-	-	1,525,381
	<u>1,654,749</u>	<u>1,074,001</u>	<u>(122,638)</u>	<u>-</u>	<u>2,606,112</u>
Lease assets, net	<u>\$ 3,742,616</u>	<u>\$ 124,595</u>	<u>\$ (144,427)</u>	<u>\$ -</u>	<u>\$ 3,722,784</u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>2023</b>					
Buildings	\$ 3,292,483	\$ 1,404,164	\$ (1,780,547)	\$ -	\$ 2,916,100
Major moveable equipment	2,481,265	-	-	-	2,481,265
	<u>5,773,748</u>	<u>1,404,164</u>	<u>(1,780,547)</u>	<u>-</u>	<u>5,397,365</u>
Less accumulated depreciation					
Buildings	734,845	597,907	(660,120)	-	672,632
Major moveable equipment	522,521	459,596	-	-	982,117
	<u>1,257,366</u>	<u>1,057,503</u>	<u>(660,120)</u>	<u>-</u>	<u>1,654,749</u>
Lease assets, net	<u>\$ 4,516,382</u>	<u>\$ 346,661</u>	<u>\$ (1,120,427)</u>	<u>\$ -</u>	<u>\$ 3,742,616</u>

Subscription assets activity for the years ended June 30 was:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>2024</b>					
Subscription assets	\$ 2,142,653	\$ 464,896	\$ -	\$ -	\$ 2,607,549
Less accumulated depreciation	781,166	839,387	-	-	1,620,553
Subscription assets, net	<u>\$ 1,361,487</u>	<u>\$ (374,491)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,996</u>
<b>2023</b>					
Subscription assets	\$ 2,142,653	\$ -	\$ -	\$ -	\$ 2,142,653
Less accumulated depreciation	-	781,166	-	-	781,166
Subscription assets, net	<u>\$ 2,142,653</u>	<u>\$ (781,166)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,361,487</u>

## **Note 7. Medical Malpractice Claims**

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Authority's claims experience, an accrual of approximately \$134,000 has been made for the years ended June 30, 2024 and 2023 and is included in accrued expenses on the accompanying balance sheets. It is reasonably possible that this estimate could change materially in the near term.

Effective January 1, 2017, the Authority is a subscriber (member) of Tecumseh, an entity approved by the State of Vermont to provide hospital professional and general liability coverage to its subscribers. Tecumseh was formed in order to stabilize the cost and availability of hospital professional and general liability insurance by taking

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

advantage of the self-funding capabilities of a homogenous group of healthcare providers. Tecumseh members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis. See Note 5 for additional information about Tecumseh.

**Note 8. Self-Insured Claims**

Substantially all of the Authority's employees and their dependents are eligible to participate in the Authority's employee health insurance plan. The Authority is self-insured for health claims of participating employees and dependents. During 2023, the Authority obtained commercial stop loss insurance for claims in excess of the aggregate annual amount of \$155,000 up to \$1,000,000. During 2024, the Authority elected to not continue obtaining the commercial stop loss coverage.

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

Activity in the Authority's accrued employee health claims and workers' compensation liabilities, which are included in accrued expenses on the accompanying balance sheets, during the years ended June 30 is summarized as follows:

	<b>Employee Health</b>	<b>Workers' Compensation</b>
<b>2024</b>		
Balance, beginning of year	\$ 864,526	\$ 128,467
Current year claims incurred and changes in estimates for claims incurred in prior years	3,025,971	378,489
Claims and expenses paid	<u>(2,620,345)</u>	<u>(367,689)</u>
Balance, end of year	<u><u>\$ 1,270,152</u></u>	<u><u>\$ 139,267</u></u>
<b>2023</b>		
Balance, beginning of year	\$ 1,170,410	\$ 127,076
Current year claims incurred and changes in estimates for claims incurred in prior years	2,469,145	311,058
Claims and expenses paid	<u>(2,775,029)</u>	<u>(309,667)</u>
Balance, end of year	<u><u>\$ 864,526</u></u>	<u><u>\$ 128,467</u></u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 9. Long-Term Obligations**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>2024</b>					
Notes payable to bank	\$ 15,961,067	\$ 670,551	\$ (1,922,079)	\$ 14,709,539	\$ 14,410,412
Other long-term liabilities					
Lease liabilities	4,007,214	1,198,596	(1,241,081)	3,964,729	1,383,989
Subscription liabilities	1,294,824	464,896	(820,618)	939,102	656,638
Total long-term obligations	<u>\$ 21,263,105</u>	<u>\$ 2,334,043</u>	<u>\$ (3,983,778)</u>	<u>\$ 19,613,370</u>	<u>\$ 16,451,039</u>
<b>2023</b>					
Notes payable to bank	\$ 9,389,920	\$ 7,985,141	\$ (1,413,994)	\$ 15,961,067	\$ 14,410,412
Other long-term liabilities					
Lease liability	4,651,068	1,404,164	(2,048,018)	4,007,214	993,001
Subscription liabilities	2,142,653	-	(847,829)	1,294,824	731,823
Total long-term obligations	<u>\$ 16,183,641</u>	<u>\$ 9,389,305</u>	<u>\$ (4,309,841)</u>	<u>\$ 21,263,105</u>	<u>\$ 16,135,236</u>

**Notes Payable to Bank**

The notes payable to bank are due between January 2023 and June 2036, payable monthly, including interest at rates of 2.55% to 6.75%. The notes are secured by real estate and certain capital assets.

The originally scheduled principal and interest payments as of June 30, 2024, excluding consideration of the potential acceleration of debt due to debt covenant violations discussed below, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 2,227,351	\$ 1,585,868	\$ 641,483
2026	1,565,432	964,416	601,016
2027	7,257,283	6,894,107	363,176
2028	930,579	796,573	134,006
2029	818,835	708,788	110,047
2030–2034	3,000,492	2,684,071	316,421
2035–2036	1,104,442	1,075,716	28,726
	<u>\$ 16,904,414</u>	<u>\$ 14,709,539</u>	<u>\$ 2,194,875</u>

Included in notes payable are the Series 2016 Hospital Revenue Note (2016 Note) and the Series 2017 Hospital Revenue Note (2017 Note). The 2016 Note was issued in the original amount of \$8,600,000 dated May 1, 2016, which bears interest monthly at 2.55%. The 2017 Note was issued in the original amount of \$3,200,000 dated December 1, 2017, which bears interest monthly at 3.54%. The 2016 Note and the 2017 Note are secured by the



**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

gross revenues of the Authority. These notes require the Authority to comply with certain restrictive covenants, including maintaining a debt service coverage ratio of 1.20 to 1.00 and days cash on hand of 75 days, as defined. The indenture agreements for each note contain provisions that, in an event of default, allow the lender to accelerate payments of the entire principal amount to be immediately due and payable. At June 30, 2024 and 2023, the Authority did not meet the debt service coverage ratio and a waiver was not obtained. As a result, the 2016 Note and 2017 Note are reflected as current in the accompanying balance sheets at June 30, 2024 and 2023.

Subsequent to year-end, the Authority entered into a forbearance agreement with the bank whereby the bank agreed to waive its right not to call the debt through December 2024.

Also included in notes payable is a promissory note in the original amount of \$800,000 dated September 29, 2017, which bears interest monthly at 4.22%. The promissory note is secured by certain property of the Authority.

In June 2023, as part of the acquisition of ASLG (see Note 17), the Authority assumed responsibility for a note payable to bank. This note was amended in December 2022 and carried a principal balance of approximately \$6,783,000. The note bears interest at the rate of 4.75% and matured in January 2024. During 2024, the note was modified to extend the maturity date to January 2027 and adjust the interest rate to 6.75%. The note is secured by certain property of the Authority.

The total debt outstanding on these notes as of June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Series 2016 Hospital Revenue Note	\$ 5,684,184	\$ 6,083,620
Series 2017 Hospital Revenue Note	305,286	801,461
Promissory note – downtown building	510,512	558,786
Note payable to bank – Belfair	6,472,312	6,667,413
Other notes payable	<u>1,737,245</u>	<u>1,849,787</u>
	<u>\$ 14,709,539</u>	<u>\$ 15,961,067</u>

***Lease Liabilities***

The Authority leases equipment and clinic space, the terms of which expire in various years through 2031. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,589,742	\$ 1,383,990	205,752
2026	1,323,198	1,205,268	117,930
2027	777,629	723,923	53,706
2028	357,437	329,753	27,684
2029	166,617	153,774	12,843
2030–2033	176,618	168,021	8,597
	<u>\$ 4,391,241</u>	<u>\$ 3,964,729</u>	<u>\$ 426,512</u>

***Subscription Liabilities***

The Authority has various SBITAs, the terms of which expire in various years through 2027.

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

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 696,256	\$ 656,638	\$ 39,618
2026	239,268	228,066	11,202
2027	55,770	54,398	1,372
	<u>\$ 991,294</u>	<u>\$ 939,102</u>	<u>\$ 52,192</u>

**Note 10. Charity Care and Services to the Community**

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

The estimated uncompensated costs associated with charity care services were approximately \$18,000 and \$22,000 for the years ended June 30, 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the Authority's June 30, 2023 Medicare cost report to the gross uncompensated charges.

The cost of charity care is estimated by applying the cost to charge ratio from the Authority's most recent Medicare cost report to the gross uncompensated charges. In addition to uncompensated costs, the Authority also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services, and various support groups.

## **Note 11. Pension Plan**

The Authority contributes to a 401(a) defined contribution pension plan, the McAlester Regional Health Center Authority Pension 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 a third-party administrator. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. During 2024, contribution rates for plan members and the Authority, expressed as a percentage of covered payroll, were approximately 2.7% and 0.9%, respectively, and contributions actually made by plan members and the Authority aggregated approximately \$1,238,000 and \$423,000, respectively.

During 2023, contribution rates for plan members and the Authority, expressed as a percentage of covered payroll, were approximately 2.8% and 1.0%, respectively, and contributions actually made by plan members and the Authority aggregated approximately \$1,334,000 and \$461,000, respectively.

Employees are immediately vested in their contributions plus earnings thereon and become vested in the Authority's contributions after completion of five years of continuous service, as defined in the plan document. Nonvested Authority contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the years ended June 30, 2024 and 2023, forfeitures reduced the Authority's pension expense by approximately \$47,000 and \$158,000, respectively.

The Authority also provides a deferred compensation plan (457 Plan) to substantially all employees of the Authority. The Authority does not make contributions to the 457 Plan.

There are no publicly available financial reports for these defined contribution pension plans.

## **Note 12. Contingencies**

### ***Litigation***

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's self-insurance program (discussed elsewhere in these notes) or by 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. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

### ***Investments***

The Authority invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheet.

### ***Risk Management and Insurance Matters***

During 2023, the Surgery Center experienced significant damage due to flooding.

For the year ended June 30, 2023, the Authority incurred a capital impairment loss of approximately \$39,000, net of insurance recoveries of approximately \$1,401,000. The resulting \$1,363,000 gain on insurance recoveries is reflected as a component of nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position. At June 30, 2023, the known settlement of \$1,401,000 is reflected as a component of prepaid expenses and other in the accompanying balance sheets.

For the year ended June 30, 2024, the Authority recognized and received additional insurance recoveries of approximately \$889,000, which is reflected as a component of nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position. At June 30, 2024, no additional insurance proceeds from this claim were known to remain outstanding.

### **Note 13. Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
Investments by Fair Value Level				
Money market mutual funds	\$ 106,840	\$ 106,840	\$ -	\$ -
Mutual funds	5,851,722	5,851,722	-	-
Exchange-traded funds	1,631,829	1,631,829	-	-
Total investments by fair value level	\$ 7,590,391	\$ 7,590,391	\$ -	\$ -
2023				
Investments by Fair Value Level				
Money market mutual funds	\$ 97,535	\$ 97,535	\$ -	\$ -
Mutual funds	7,032,399	7,032,399	-	-
Exchange-traded funds	2,355,690	2,355,690	-	-
Total investments by fair value level	\$ 9,485,624	\$ 9,485,624	\$ -	\$ -

***Investments***

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Authority had no Level 3 investments at June 30, 2024 and 2023.

**Note 14. Combining Component Unit Information**

***Component Units' Financial Statements***

The following table includes combining balance sheet information for the Authority (including MMS and the Surgery Center) and its blended component units, the Foundation, the Auxiliary, and ASLG, as of June 30, 2024.

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

	2024						Combined
	Authority	Foundation	Auxiliary	ASLG	Total	Eliminations	Balance
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 7,264,782	\$ 454,130	\$ 55,588	\$ 49,489	\$ 7,823,989	\$ -	\$ 7,823,989
Short-term investments	505,050	222,479	-	-	727,529	-	727,529
Patient accounts receivable, net of allowance – \$24,770,000	11,824,951	-	-	-	11,824,951	-	11,824,951
Supplies	2,655,016	-	80,957	-	2,735,973	-	2,735,973
Prepaid expenses and other	4,238,389	25,327	7,352	4,018	4,275,086	(2,184,591)	2,090,495
<b>Total Current Assets</b>	<b>26,488,188</b>	<b>701,936</b>	<b>143,897</b>	<b>53,507</b>	<b>27,387,528</b>	<b>(2,184,591)</b>	<b>25,202,937</b>
<b>Noncurrent Cash and Investments</b>							
Restricted cash	3,240,549	-	-	-	3,240,549	-	3,240,549
Other long-term investments	7,775,542	-	-	-	7,775,542	-	7,775,542
Investments in and advances to equity investees	5,562,330	-	-	-	5,562,330	-	5,562,330
<b>Total Noncurrent Cash and Investments</b>	<b>16,578,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,578,421</b>	<b>-</b>	<b>16,578,421</b>
<b>Capital Assets, Net</b>	<b>34,902,555</b>	<b>-</b>	<b>-</b>	<b>3,117,100</b>	<b>38,019,655</b>	<b>-</b>	<b>38,019,655</b>
<b>Lease Assets, Net</b>	<b>3,722,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,722,784</b>	<b>-</b>	<b>3,722,784</b>
<b>Subscription Assets, Net</b>	<b>986,996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>986,996</b>	<b>-</b>	<b>986,996</b>
<b>Leases Receivable</b>	<b>746,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>746,467</b>	<b>-</b>	<b>746,467</b>
<b>Total Assets</b>	<b>\$ 83,425,411</b>	<b>\$ 701,936</b>	<b>\$ 143,897</b>	<b>\$ 3,170,607</b>	<b>\$ 87,441,851</b>	<b>\$ (2,184,591)</b>	<b>\$ 85,257,260</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>							
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ 6,690,553	\$ -	\$ -	\$ 169,661	\$ 6,860,214	\$ -	\$ 6,860,214
Current portion of lease liabilities	1,383,989	-	-	-	1,383,989	-	1,383,989
Current portion of subscription liabilities	656,638	-	-	-	656,638	-	656,638
Accounts payable	9,996,974	10,481	8,058	2,238,125	12,253,638	(2,184,591)	10,069,047
Accrued expenses	7,297,733	-	-	-	7,297,733	-	7,297,733
Estimated amounts due to third-party payors	557,330	-	-	-	557,330	-	557,330
<b>Total Current Liabilities</b>	<b>26,583,217</b>	<b>10,481</b>	<b>8,058</b>	<b>2,407,786</b>	<b>29,009,542</b>	<b>(2,184,591)</b>	<b>26,824,951</b>
<b>Other Liabilities</b>							
Long-term debt	1,546,674	-	-	6,302,651	7,849,325	-	7,849,325
Lease liabilities	2,580,740	-	-	-	2,580,740	-	2,580,740
Subscription liabilities	282,464	-	-	-	282,464	-	282,464
<b>Total Other Liabilities</b>	<b>4,409,878</b>	<b>-</b>	<b>-</b>	<b>6,302,651</b>	<b>10,712,529</b>	<b>-</b>	<b>10,712,529</b>
<b>Total Liabilities</b>	<b>30,993,095</b>	<b>10,481</b>	<b>8,058</b>	<b>8,710,437</b>	<b>39,722,071</b>	<b>(2,184,591)</b>	<b>37,537,480</b>
<b>Deferred Inflows of Resources</b>	<b>750,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750,198</b>	<b>-</b>	<b>750,198</b>
<b>Net Position</b>							
Net investment in capital assets	26,471,277	-	-	(3,355,212)	23,116,065	-	23,116,065
Restricted – expendable for							
Capital acquisitions	2,486,154	-	-	-	2,486,154	-	2,486,154
Unrestricted	22,724,687	691,455	135,839	(2,184,618)	21,367,363	-	21,367,363
<b>Total Net Position</b>	<b>51,682,118</b>	<b>691,455</b>	<b>135,839</b>	<b>(5,539,830)</b>	<b>46,969,582</b>	<b>-</b>	<b>46,969,582</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 83,425,411</b>	<b>\$ 701,936</b>	<b>\$ 143,897</b>	<b>\$ 3,170,607</b>	<b>\$ 87,441,851</b>	<b>\$ (2,184,591)</b>	<b>\$ 85,257,260</b>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The following table includes combining statement of revenues, expenses, and changes in net position information for the Authority (including MMS and the Surgery Center) and its blended component units, the Foundation, the Auxiliary, and ASLG, for the year ended June 30, 2024:

	2024						
	Authority	Foundation	Auxiliary	ASLG	Total	Eliminations	Combined Balance
<b>Operating Revenues</b>							
Net patient service revenue, net of provision for uncollectible accounts; \$10,423,239	\$ 91,149,430	\$ -	\$ -	\$ -	\$ 91,149,430	\$ -	\$ 91,149,430
Other operating revenues	3,663,910	-	116,985	2,586,978	6,367,873	-	6,367,873
<b>Total Operating Revenues</b>	<b>94,813,340</b>	<b>-</b>	<b>116,985</b>	<b>2,586,978</b>	<b>97,517,303</b>	<b>-</b>	<b>97,517,303</b>
<b>Operating Expenses</b>							
Salaries and wages	44,948,257	123,137	-	102,705	45,174,099	(123,137)	45,050,962
Employee benefits	7,543,516	9,585	-	213,033	7,766,134	(9,585)	7,756,549
Purchased services and professional fees	21,080,854	8,040	3,150	46,108	21,138,152	(3,000)	21,135,152
Supplies and other expenses	26,444,195	285,107	109,108	2,116,659	28,955,069	(3,138)	28,951,931
Depreciation and amortization	6,548,154	-	-	373,160	6,921,314	-	6,921,314
<b>Total Operating Expenses</b>	<b>106,564,976</b>	<b>425,869</b>	<b>112,258</b>	<b>2,851,665</b>	<b>109,954,768</b>	<b>(138,860)</b>	<b>109,815,908</b>
<b>Operating Income (Loss)</b>	<b>(11,751,636)</b>	<b>(425,869)</b>	<b>4,727</b>	<b>(264,687)</b>	<b>(12,437,465)</b>	<b>138,860</b>	<b>(12,298,605)</b>
<b>Nonoperating Revenues (Expenses)</b>							
Loss on investments in equity investees	(123,485)	-	-	(81,255)	(204,740)	-	(204,740)
Insurance recoveries, net of asset impairment	888,528	-	-	-	888,528	-	888,528
Investment return	1,155,265	15,534	-	-	1,170,799	-	1,170,799
Noncapital grants and gifts	403,246	350,317	-	-	753,563	(138,860)	614,703
Interest expense	(529,657)	-	-	(363,120)	(892,777)	-	(892,777)
Government grants	1,990,713	-	-	-	1,990,713	-	1,990,713
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,784,610</b>	<b>365,851</b>	<b>-</b>	<b>(444,375)</b>	<b>3,706,086</b>	<b>(138,860)</b>	<b>3,567,226</b>
<b>Income (Loss) Before Capital Appropriations</b>	<b>(7,967,026)</b>	<b>(60,018)</b>	<b>4,727</b>	<b>(709,062)</b>	<b>(8,731,379)</b>	<b>-</b>	<b>(8,731,379)</b>
<b>Capital Appropriations</b>	<b>706,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>706,462</b>	<b>-</b>	<b>706,462</b>
<b>Increase (Decrease) in Net Position</b>	<b>(7,260,564)</b>	<b>(60,018)</b>	<b>4,727</b>	<b>(709,062)</b>	<b>(8,024,917)</b>	<b>-</b>	<b>(8,024,917)</b>
<b>Net Position, Beginning of Year</b>	<b>58,942,682</b>	<b>751,473</b>	<b>131,112</b>	<b>(4,830,768)</b>	<b>54,994,499</b>	<b>-</b>	<b>54,994,499</b>
<b>Net Position, End of Year</b>	<b>\$ 51,682,118</b>	<b>\$ 691,455</b>	<b>\$ 135,839</b>	<b>\$ (5,539,830)</b>	<b>\$ 46,969,582</b>	<b>\$ -</b>	<b>\$ 46,969,582</b>



**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The following table includes condensed combining statement of cash flows information for the Authority (including MMS and the Surgery Center) and its blended component units, the Foundation, the Auxiliary, and ASLG, for the year ended June 30, 2024:

	2024						Combined Balance
	Authority	Foundation	Auxiliary	ASLG	Total	Eliminations	
Net Cash Provided by (Used in) Operating Activities	\$ (4,228,478)	\$ (569,525)	\$ 4,661	\$ 637,140	\$ (4,156,202)	\$ -	\$ (4,156,202)
Net Cash Provided by Noncapital Financing Activities	2,255,099	350,317	-	-	2,605,416	-	2,605,416
Net Cash Used in Capital and Related Financing Activities	(3,910,095)	-	-	(639,476)	(4,549,571)	-	(4,549,571)
Net Cash Provided by Investing Activities	3,274,510	2,273	-	-	3,276,783	-	3,276,783
Increase (Decrease) in Cash and Cash Equivalents	(2,608,964)	(216,935)	4,661	(2,336)	(2,823,574)	-	(2,823,574)
Cash and Cash Equivalents, Beginning of Year	13,114,295	671,065	50,927	51,825	13,888,112	-	13,888,112
Cash and Cash Equivalents, End of Year	<u>\$ 10,505,331</u>	<u>\$ 454,130</u>	<u>\$ 55,588</u>	<u>\$ 49,489</u>	<u>\$ 11,064,538</u>	<u>\$ -</u>	<u>\$ 11,064,538</u>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The following table includes combining balance sheet information for the Authority (including MMS and the Surgery Center) and its blended component units, the Foundation, the Auxiliary, and ASLG, as of June 30, 2023.

	2023						
	Authority	Foundation	Auxiliary	ASLG	Total	Eliminations	Combined Balance
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 10,628,141	\$ 671,065	\$ 50,927	\$ 51,825	\$ 11,401,958	\$ -	\$ 11,401,958
Short-term investments	1,178,897	209,218	-	-	1,388,115	-	1,388,115
Patient accounts receivable, net of allowance – \$13,407,000	9,092,239	-	-	-	9,092,239	-	9,092,239
Supplies	3,087,436	-	85,776	-	3,173,212	-	3,173,212
Prepaid expenses and other	4,298,636	14,723	4,072	106,661	4,424,092	(1,799,168)	2,624,924
<b>Total Current Assets</b>	<b>28,285,349</b>	<b>895,006</b>	<b>140,775</b>	<b>158,486</b>	<b>29,479,616</b>	<b>(1,799,168)</b>	<b>27,680,448</b>
<b>Noncurrent Cash and Investments</b>							
Restricted cash	2,486,154	-	-	-	2,486,154	-	2,486,154
Other long-term investments	9,837,146	-	-	-	9,837,146	-	9,837,146
Investments in and advances to equity investees	5,183,602	-	-	-	5,183,602	-	5,183,602
<b>Total Noncurrent Cash and Investments</b>	<b>17,506,902</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,506,902</b>	<b>-</b>	<b>17,506,902</b>
<b>Capital Assets, Net</b>	<b>37,273,160</b>	<b>-</b>	<b>-</b>	<b>3,465,000</b>	<b>40,738,160</b>	<b>-</b>	<b>40,738,160</b>
<b>Lease Assets, Net</b>	<b>3,742,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,742,616</b>	<b>-</b>	<b>3,742,616</b>
<b>Subscription Assets, Net</b>	<b>1,361,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,361,487</b>	<b>-</b>	<b>1,361,487</b>
<b>Leases Receivable</b>	<b>581,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>581,937</b>	<b>-</b>	<b>581,937</b>
<b>Total Assets</b>	<b>\$ 88,751,451</b>	<b>\$ 895,006</b>	<b>\$ 140,775</b>	<b>\$ 3,623,486</b>	<b>\$ 93,410,718</b>	<b>\$ (1,799,168)</b>	<b>\$ 91,611,550</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>							
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ 7,742,999	\$ -	\$ -	\$ 6,667,413	\$ 14,410,412	\$ -	\$ 14,410,412
Current portion of lease liabilities	993,001	-	-	-	993,001	-	993,001
Current portion of subscription liabilities	731,823	-	-	-	731,823	-	731,823
Accounts payable	8,220,937	143,533	9,663	1,786,841	10,160,974	(1,799,168)	8,361,806
Accrued expenses	6,387,295	-	-	-	6,387,295	-	6,387,295
Estimated amounts due to third-party payors	20,000	-	-	-	20,000	-	20,000
<b>Total Current Liabilities</b>	<b>24,096,055</b>	<b>143,533</b>	<b>9,663</b>	<b>8,454,254</b>	<b>32,703,505</b>	<b>(1,799,168)</b>	<b>30,904,337</b>
<b>Other Liabilities</b>							
Long-term debt	1,550,655	-	-	-	1,550,655	-	1,550,655
Lease liabilities	3,014,213	-	-	-	3,014,213	-	3,014,213
Subscription liabilities	563,001	-	-	-	563,001	-	563,001
<b>Total Other Liabilities</b>	<b>5,127,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,127,869</b>	<b>-</b>	<b>5,127,869</b>
<b>Total Liabilities</b>	<b>29,223,924</b>	<b>143,533</b>	<b>9,663</b>	<b>8,454,254</b>	<b>37,831,374</b>	<b>(1,799,168)</b>	<b>36,032,206</b>
<b>Deferred Inflows of Resources</b>	<b>584,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>584,845</b>	<b>-</b>	<b>584,845</b>
<b>Net Position</b>							
Net investment in capital assets	27,781,571	-	-	(3,202,413)	24,579,158	-	24,579,158
Restricted – expendable for							
Capital acquisitions	2,486,154	-	-	-	2,486,154	-	2,486,154
Unrestricted	28,674,957	751,473	131,112	(1,628,355)	27,929,187	-	27,929,187
<b>Total Net Position</b>	<b>58,942,682</b>	<b>751,473</b>	<b>131,112</b>	<b>(4,830,768)</b>	<b>54,994,499</b>	<b>-</b>	<b>54,994,499</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 88,751,451</b>	<b>\$ 895,006</b>	<b>\$ 140,775</b>	<b>\$ 3,623,486</b>	<b>\$ 93,410,718</b>	<b>\$ (1,799,168)</b>	<b>\$ 91,611,550</b>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The following table includes combining statement of revenues, expenses, and changes in net position information for the Authority (including MMS and the Surgery Center) and its blended component units, the Foundation, the Auxiliary, and ASLG, for the year ended June 30, 2023:

	2023						
	Authority	Foundation	Auxiliary	ASLG	Total	Eliminations	Combined Balance
<b>Operating Revenues</b>							
Net patient service revenue, net of provision for uncollectible accounts; \$6,803,154	\$ 88,685,762	\$ -	\$ -	\$ -	\$ 88,685,762	\$ -	\$ 88,685,762
Other operating revenues	3,381,994	-	128,074	-	3,510,068	-	3,510,068
<b>Total Operating Revenues</b>	<b>92,067,756</b>	<b>-</b>	<b>128,074</b>	<b>-</b>	<b>92,195,830</b>	<b>-</b>	<b>92,195,830</b>
<b>Operating Expenses</b>							
Salaries and wages	44,942,268	127,506	-	-	45,069,774	(127,506)	44,942,268
Employee benefits	6,881,568	10,096	-	-	6,891,664	(10,096)	6,881,568
Purchased services and professional fees	20,494,869	11,757	9,541	-	20,516,167	(3,000)	20,513,167
Supplies and other expenses	24,605,225	209,182	127,021	-	24,941,428	(5,754)	24,935,674
Depreciation and amortization	7,187,729	-	-	-	7,187,729	-	7,187,729
<b>Total Operating Expenses</b>	<b>104,111,659</b>	<b>358,541</b>	<b>136,562</b>	<b>-</b>	<b>104,606,762</b>	<b>(146,356)</b>	<b>104,460,406</b>
<b>Operating Loss</b>	<b>(12,043,903)</b>	<b>(358,541)</b>	<b>(8,488)</b>	<b>-</b>	<b>(12,410,932)</b>	<b>146,356</b>	<b>(12,264,576)</b>
<b>Nonoperating Revenues (Expenses)</b>							
Gain on investments in equity investees	755,882	-	-	-	755,882	-	755,882
Loss on Acquisition of ASLG	(1,174,572)	-	-	(4,830,768)	(6,005,340)	-	(6,005,340)
Insurance recoveries, net of asset impairment	1,363,075	-	-	-	1,363,075	-	1,363,075
Investment return	681,589	8,628	-	-	690,217	-	690,217
Noncapital grants and gifts	316,888	389,385	-	-	706,273	(146,356)	559,917
Interest expense	(635,703)	-	-	-	(635,703)	-	(635,703)
Government grants	1,654,279	-	-	-	1,654,279	-	1,654,279
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,961,438</b>	<b>398,013</b>	<b>-</b>	<b>(4,830,768)</b>	<b>(1,471,317)</b>	<b>(146,356)</b>	<b>(1,617,673)</b>
<b>Income (Loss) Before Capital Appropriations</b>	<b>(9,082,465)</b>	<b>39,472</b>	<b>(8,488)</b>	<b>(4,830,768)</b>	<b>(13,882,249)</b>	<b>-</b>	<b>(13,882,249)</b>
<b>Capital Appropriations</b>	<b>644,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644,968</b>	<b>-</b>	<b>644,968</b>
<b>Increase (Decrease) in Net Position</b>	<b>(8,437,497)</b>	<b>39,472</b>	<b>(8,488)</b>	<b>(4,830,768)</b>	<b>(13,237,281)</b>	<b>-</b>	<b>(13,237,281)</b>
<b>Net Position, Beginning of Year</b>	<b>67,380,179</b>	<b>712,001</b>	<b>139,600</b>	<b>-</b>	<b>68,231,780</b>	<b>-</b>	<b>68,231,780</b>
<b>Net Position, End of Year</b>	<b>\$ 58,942,682</b>	<b>\$ 751,473</b>	<b>\$ 131,112</b>	<b>\$ (4,830,768)</b>	<b>\$ 54,994,499</b>	<b>\$ -</b>	<b>\$ 54,994,499</b>

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The following table includes condensed combining statement of cash flows information for the Authority (including MMS and the Surgery Center) and its blended component units, the Foundation, the Auxiliary, and ASLG, for the year ended June 30, 2023:

	2023						Combined Balance
	Authority	Foundation	Auxiliary	ASLG	Total	Eliminations	
Net Cash Provided by (Used in) Operating Activities	\$ (5,351,448)	\$ (245,207)	\$ 5,551	\$ -	\$ (5,591,104)	\$ -	\$ (5,591,104)
Net Cash Provided by Noncapital Financing Activities	1,824,811	389,385	-	-	2,214,196	-	2,214,196
Net Cash Provided by (Used in) Capital and Related Financing Activities	(5,356,853)	-	-	51,825	(5,305,028)	-	(5,305,028)
Net Cash Provided by Investing Activities	206,720	2,190	-	-	208,910	-	208,910
Increase (Decrease) in Cash and Cash Equivalents	(8,676,770)	146,368	5,551	51,825	(8,473,026)	-	(8,473,026)
Cash and Cash Equivalents, Beginning of Year	21,791,065	524,697	45,376	-	22,361,138	-	22,361,138
Cash and Cash Equivalents, End of Year	<u>\$ 13,114,295</u>	<u>\$ 671,065</u>	<u>\$ 50,927</u>	<u>\$ 51,825</u>	<u>\$ 13,888,112</u>	<u>\$ -</u>	<u>\$ 13,888,112</u>

## Note 15. Leases Receivable

The Authority leases a portion of its office space to various third parties, the terms of which expire 2023 through 2029.

Revenue recognized under lease contracts during the years ended June 30, 2024 and 2023 was approximately \$442,000 and \$340,000, respectively, which includes both lease revenue and interest.

## Note 16. COVID-19 Pandemic and CARES Act Funding

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

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

### ***Medicare Accelerated and Advance Payment Program***

During the year ended June 30, 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29th month at a rate of 4%.

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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During the year ended June 30, 2020, the Authority received approximately \$11,944,000 from these accelerated Medicare payment requests. During the year ended June 30, 2023, Medicare applied approximately \$2,873,000 from these accelerated Medicare payment requests against filed claims. As of June 30, 2024 and 2023, the Authority had no remaining outstanding accelerated payments due to CMS outstanding.

## **Note 17. Business Combination**

On June 30, 2023, the Authority entered into a transaction whereby an additional 50% of the outstanding equity of ASLG was acquired, raising the Authority's overall ownership in ASLG to 75%. As a result of the acquisition, the Authority will have an opportunity to further its mission of providing high-quality, compassionate, and cost-effective healthcare experiences to those in Southeast Oklahoma.

The following table summarizes the consideration paid for ASLG and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

**Recognized Amounts of Identifiable Assets Acquired and  
Liabilities Assumed**

Cash	\$ 51,825
Accounts receivable	84,151
Other assets	22,509
Property, plant, and equipment	3,465,000
Accounts payable	(1,786,841)
Long-term debt	<u>(6,667,413)</u>
Total identifiable net position acquired and loss on acquisition	<u>\$ (4,830,769)</u>
Fair value of minority interest	<u>\$ (1,207,692)</u>

In conjunction with the transaction, the Authority also recognized an impairment of its investment in ASLG in the amount of \$1,174,572.

## **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  
McAlester Regional Health Center Authority  
McAlester, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of McAlester Regional Health Center Authority (Authority), a component unit of the City of McAlester, 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 October 31, 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### ***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  
October 31, 2024**

**McAlester Regional Health Center Authority**  
**A Component Unit of the City of McAlester, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2024**

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<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.