

Shattuck Hospital Authority doing business as Newman Memorial Hospital, Inc.

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2023 and 2022



Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Table of Contents

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-3
<i>BASIC FINANCIAL STATEMENTS:</i>	
Statements of net position	4-5
Statements of revenues, expenses, and changes in net position	6
Statements of cash flows	7-8
Notes to basic financial statements	9-25
<i>INDEPENDENT AUDITORS' 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</i>	26-27
Schedule of findings and responses	28
Summary schedule of prior year audit findings	29



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Shattuck, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shattuck Hospital Authority doing business as Newman Memorial Hospital, Inc. (the Authority) as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matters

The financial statements of the Authority, as of and for the year ended December 31, 2022, were audited by Eide Bailly, LLP, whose report dated November 20, 2023, expressed a qualified opinion on those financial statements.

The bases for the 2023 financial statement qualification were insufficient audit evidence to support the calculation of the tax liability and the valuation of assets in a clinic purchase in prior years.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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, including omissions, 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 not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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 August 7, 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 the 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.

D3A PLLC

Spokane Valley, Washington
August 7, 2024

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Statements of Net Position
December 31, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 662,547	\$ 1,244,254
Short-term investments	843,141	824,781
Receivables:		
Patient accounts	1,866,535	1,194,578
Estimated third-party payor settlements	-	434,383
Sales tax	236,245	291,648
Prepaid expenses	184,071	82,162
Inventories	151,701	133,502
Total current assets	3,944,240	4,205,308
<i>Noncurrent assets</i>		
Cash and cash equivalents held by the Authority	614,119	509,105
Certificate of deposit restricted by State National Bank as collateral	300,000	-
Cash and cash equivalents restricted by United States Department of Agriculture for debt reserve	217,663	180,133
Capital and lease right-of-use assets, net	7,628,163	7,643,715
Total noncurrent assets	8,759,945	8,332,953
Total assets	12,704,185	12,538,261
<i>Deferred outflows of resources, goodwill</i>	-	58,500
Total assets and deferred outflows of resources	\$ 12,704,185	\$ 12,596,761

See accompanying notes to basic financial statements.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Statements of Net Position (Continued)
December 31, 2023 and 2022

LIABILITIES AND NET POSITION	2023	2022
<i>Current liabilities</i>		
Accounts payable	\$ 1,215,006	\$ 678,528
Accrued compensation and related liabilities	356,218	329,832
Taxes payable	812,051	812,051
Estimated third-party payor settlements	149,262	-
Current maturities of long-term debt	243,893	178,639
Current maturities of lease liabilities	23,904	24,590
Unearned CARES Act Provider Relief Fund	-	848,404
Total current liabilities	2,800,334	2,872,044
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	4,236,473	4,222,400
Lease liabilities, less current maturities	70,545	53,729
Total noncurrent liabilities	4,307,018	4,276,129
Total liabilities	7,107,352	7,148,173
<i>Net position</i>		
Net investment in capital assets	3,053,348	3,164,357
Restricted by creditors	517,663	180,133
Unrestricted	2,025,822	2,104,098
Total net position	5,596,833	5,448,588
Total liabilities and net position	\$ 12,704,185	\$ 12,596,761

See accompanying notes to basic financial statements.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 12,233,004	\$ 10,376,119
Grants	11,820	254,626
Other	69,112	79,616
Total operating revenues	12,313,936	10,710,361
<i>Operating expenses</i>		
Salaries and wages	5,367,111	4,542,653
Employee benefits	908,998	824,325
Professional fees and purchased services	4,102,548	3,451,061
Supplies	1,368,980	1,153,714
Depreciation and amortization	727,123	686,742
Insurance	404,143	314,700
Utilities	362,338	322,379
Repairs and maintenance	375,243	210,871
Rent and leases	78,088	67,911
Other	427,658	528,869
Total operating expenses	14,122,230	12,103,225
<i>Operating loss</i>	(1,808,294)	(1,392,864)
<i>Nonoperating revenues (expenses)</i>		
Taxation	1,278,832	1,226,053
CARES Act Provider Relief Fund	848,404	345,534
Investment income	21,183	6,376
Contributions	-	5,150
Interest expense	(191,880)	(177,800)
Total nonoperating revenues, net	1,956,539	1,405,313
Change in net position	148,245	12,449
Net position, beginning of year	5,448,588	5,436,139
Net position, end of year	\$ 5,596,833	\$ 5,448,588

See accompanying notes to basic financial statements.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients and residents	\$ 12,144,692	\$ 9,459,748
Other receipts	69,112	79,616
Receipts from grants	11,820	254,626
Payments to and on behalf of employees	(6,249,723)	(5,216,797)
Payments to suppliers and contractors	(6,644,128)	(6,056,860)
Net cash from operating activities	(668,227)	(1,479,667)
<i>Cash flows from noncapital financing activities</i>		
Proceeds from taxation	1,334,235	1,191,255
Contributions	-	5,150
Net cash from noncapital financing activities	1,334,235	1,196,405
<i>Cash flows from capital and related financing activities</i>		
Proceeds from issuance of long-term debt	300,050	-
Principal paid on lease liabilities	(24,590)	(21,280)
Principal payments on long-term debt	(220,723)	(173,233)
Interest paid on long-term debt and lease liabilities	(191,880)	(185,958)
Purchase of capital assets	(670,851)	(71,151)
Net cash from capital and related financing activities	(807,994)	(451,622)
<i>Cash flows from investing activities</i>		
Investment income	21,183	4,304
Purchase of investments	(318,360)	-
Net cash from investing activities	(297,177)	4,304
Net change in cash and cash equivalents	(439,163)	(730,580)
Cash and cash equivalents, beginning of year	1,933,492	2,664,072
Cash and cash equivalents, end of year	\$ 1,494,329	\$ 1,933,492

See accompanying notes to basic financial statements.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</i>		
Cash and cash equivalents	\$ 662,547	\$ 1,244,254
Cash and cash equivalents held by the Authority	614,119	509,105
Cash and cash equivalents restricted by USDA for debt reserve	217,663	180,133
Total cash and cash equivalents	\$ 1,494,329	\$ 1,933,492
<i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i>		
Operating loss	\$ (1,808,294)	\$ (1,392,864)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	727,123	687,742
Goodwill amortization	58,500	9,000
Provision for bad debt	265,736	1,734,229
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(937,693)	(1,646,950)
Estimated third-party payor settlements	434,383	(434,383)
Prepaid expenses	(101,909)	(27,758)
Inventories	(18,199)	12,773
Increase (decrease) in liabilities:		
Accounts payable	536,478	(2,370)
Accrued compensation and related liabilities	26,386	150,181
Estimated third-party payor settlements	149,262	(569,267)
Net cash from operating activities	\$ (668,227)	\$ (1,479,667)

Noncash Investing, Capital, and Financing Activities

During the year ended December 31, 2023, the Authority entered into a new equipment lease agreement, for which the Authority recognized a right-of-use asset and related lease liability of \$40,720.

See accompanying notes to basic financial statements.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Shattuck Hospital Authority (the Authority) is a public trust created on August 6, 1964, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act and other applicable laws and statutes of the State of Oklahoma. The Authority's sole activity is the operation of a 25-bed critical access hospital located in Shattuck, Oklahoma. The Authority primarily earns revenues by providing inpatient, outpatient, and emergency care services to residents in and around the Town of Shattuck, Oklahoma. The Town of Shattuck, Oklahoma, is the beneficiary and will receive all residual trust funds and assets upon termination of the trust.

Newman Memorial Hospital, Inc. (the Hospital) is an Oklahoma non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Hospital is included as a blended component unit of the Authority as the Hospital is fiscally dependent on the Authority and there is a potential for the Hospital to provide specific financial benefits to or impose specific financial burdens on the Authority.

The financial statements include only the financial activity of the Authority and the Hospital, collectively referred to as the Authority.

The Authority operated the Hospital under an operation and maintenance contract. In addition to the operations and maintenance contract, the Authority leased the land, premises equipment and other structures from the Hospital. The contract term was from September 22, 2009 to September 22, 2019, but in no event prior to the date that all debt obligations of the Authority have been satisfied.

Effective January 1, 2018, the Authority entered into a separate operations service agreement where the Hospital will manage and operate the facilities on behalf of the Authority. The term of this agreement shall continue until all of the loans with the United States Department of Agriculture (USDA) are satisfied and the lease agreement is terminated.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies

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

Enterprise fund accounting – The Authority’s accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Short-term investments – Short-term investments include certificates of deposit with an original maturity of three to twelve months.

Inventories – Inventories are stated at cost using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Authority.

Capital assets – Capital assets are defined by the Authority as assets with initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major expenses for capital assets and major repairs that increase useful lives are capitalized. Maintenance, repairs, and minor renewals that do not increase the useful life of the asset are accounted for as expenses when incurred. Capital assets are recorded at historical cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Capital assets acquired under leases or subscription agreements are amortized over the shorter of the estimated useful life or the length of the lease or subscription agreement.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from expenses in excess of revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Capital assets (continued) – All capital assets, other than land and construction in progress, are depreciated or amortized using the straight-line method over the following estimated useful service lives:

Land improvements	5 to 40 years
Buildings and improvements	5 to 40 years
Major movable and fixed equipment	3 to 20 years
Lease right-of-use equipment	3 years

Compensated absences – The Authority’s employees earn paid time off (PTO) at varying rates, depending on years of service. Employees are allowed to accrue a maximum of 120 hours of PTO.

Net position – Net position of the Authority is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

Operating revenues and expenses – The Authority’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services—the Authority’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Restricted resources – When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority’s policy to use restricted resources before unrestricted resources.

Grants and contributions – From time to time, the Authority receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for a specific project or purpose related to the Authority’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events have been reviewed through August 7, 2024, the date on which the financial statements were available to be issued.

Income taxes – The Hospital is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Hospital is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Hospital is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Hospital filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income for the year ending December 31, 2017. The Hospital has recorded a liability to the Oklahoma Tax Commission of \$812,051 as of December 31, 2023 and 2022, respectively, related to potentially unrelated business taxable income generated in the 2017 tax year. During 2021, the Internal Revenue Service accepted an Offer in Compromise from the Hospital, which discharged the federal tax liability.

Reclassifications – Certain amounts have been reclassified in the 2022 financial statements in order to be consistent with the 2023 financial statements. These reclassifications had no effect on the previously reported change in net assets.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

2. Deposits and Investments:

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

The Authority was exposed to custodial credit risk as follows:

	2023	2022
Uninsured and uncollateralized	\$ 82,625	\$ 96,260
Insured and collateral held by pledging banks trust department in the Hospitals name	2,908,370	2,916,041
	\$ 2,990,995	\$ 3,012,301

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the Authority analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Authority analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Authority records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

3. Patient Accounts Receivable (continued):

The Authority's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The Authority does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the Authority consisted of these amounts:

	2023	2022
Receivables from patients, residents, and their insurance carriers	\$ 1,035,403	\$ 1,337,661
Receivables from Medicare	1,356,527	684,053
Receivables from Medicaid	91,252	21,864
Total patient accounts receivable	2,483,182	2,043,578
Less allowance for uncollectible accounts	616,647	849,000
Patient and resident accounts receivable, net	\$ 1,866,535	\$ 1,194,578

4. Capital and Lease Right-of-Use Assets:

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 41,025	\$ -	\$ -	\$ -	\$ 41,025
<i>Capital assets being depreciated or amortized</i>					
Land improvements	38,745	-	-	-	38,745
Buildings and building improvements	12,163,168	126,856	-	-	12,290,024
Major movable and fixed equipment	12,109,176	543,995	-	38,048	12,691,219
Lease right-of-use equipment	138,119	40,720	-	(38,048)	140,791
Total capital assets being depreciated and amortized	24,449,208	711,571	-	-	25,160,779
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	38,745	-	-	-	38,745
Buildings and building improvements	5,826,193	292,142	-	-	6,118,335
Major movable and fixed equipment	10,871,808	406,634	-	38,048	11,316,490
Lease right-of-use equipment	109,772	28,347	-	(38,048)	100,071
Total accumulated depreciation	16,846,518	727,123	-	-	17,573,641
<i>Total capital assets being depreciated and amortized, net</i>	7,602,690	(15,552)	-	-	7,587,138
Capital assets, net	\$ 7,643,715	\$ (15,552)	\$ -	\$ -	\$ 7,628,163

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Capital and Lease Right-of-Use Assets (continued):

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 41,025	\$ -	\$ -	\$ -	\$ 41,025
<i>Capital assets being depreciated or amortized</i>					
Land improvements	38,745	-	-	-	38,745
Buildings and improvements	12,163,168	-	-	-	12,163,168
Major movable and fixed equipment	12,039,025	70,151	-	-	12,109,176
Lease right-of-use equipment	138,119	-	-	-	138,119
Total capital assets being depreciated or amortized	24,379,057	70,151	-	-	24,449,208
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	38,745	-	-	-	38,745
Buildings and building improvements	5,532,481	293,712	-	-	5,826,193
Major movable and fixed equipment	10,519,744	352,064	-	-	10,871,808
Lease right-of-use equipment	68,806	40,966	-	-	109,772
Total accumulated depreciation and amortization	16,159,776	686,742	-	-	16,846,518
Total capital assets being depreciated or amortized, net	8,219,281	(616,591)	-	-	7,602,690
Capital assets, net	\$ 8,260,306	\$ (616,591)	\$ -	\$ -	\$ 7,643,715

5. Long-term Debt:

A schedule of changes in the Authority's long-term debt follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
USDA mortgage obligation	\$ 507,560	\$ -	\$ (69,481)	\$ 438,079	\$ 72,797
USDA construction loans	3,831,209	-	(99,109)	3,732,100	102,727
Note payable 2019	62,270	-	(9,727)	52,543	9,979
Note payable 2023	-	300,050	(42,406)	257,644	58,390
Total long-term debt	\$ 4,401,039	\$ 300,050	\$ (220,723)	\$ 4,480,366	\$ 243,893

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
USDA mortgage obligation	\$ 573,824	\$ -	\$ (66,264)	\$ 507,560	\$ 69,324
USDA construction loans	3,926,439	-	(95,230)	3,831,209	99,589
Note payable 2017	2,258	-	(2,258)	-	-
Note payable 2019	71,751	-	(9,481)	62,270	9,726
Total long-term debt	\$ 4,574,272	\$ -	\$ (173,233)	\$ 4,401,039	\$ 178,639

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Long-term Debt (continued):

Long-term debt – The terms and due dates of the Authority’s long-term debt are as follows:

- **USDA Mortgage Obligation** – The Authority entered into a mortgage obligation with the USDA on June 12, 2000, in the original amount of \$1,470,000, which is secured by a first mortgage on the Authority’s property and a pledge of the Authority’s gross revenues. Payments of \$7,674 are due monthly until June 2030, including principal and interest at a rate of 4.75 percent.
- **USDA Construction Loans** – The Authority entered into three construction loan obligations with the USDA in the original aggregate amount of \$4,994,694, of which \$4,568,894 was issued on September 22, 2009, and of which the remaining \$425,800 was issued on February 16, 2010. The loans are secured by a pledge of the Authority’s gross revenues. Payments of \$20,875 are due monthly until 2046, including principal and interest at a rate of 4.00 percent.
- **Note payable 2017** – The Authority issued a note payable in July 2017 for the purchase of a vehicle. The note was paid off in full during 2022.
- **Note payable 2019** – The Authority issued an unsecured note payable in March 2019 in the original amount of \$90,000 for the purchase of equipment, payable in annual installments of \$11,339 including interest at 2.59 percent through January 2028.
- **Note payable 2023** – The Authority issued a secured note payable in April 2023 in the original amount of \$300,000 for the purchase of equipment, payable in monthly installments of \$5,551 including interest at 3.56 percent through February 2028. The note is collateralized by a certificate of deposit with a face value of \$300,000.

Scheduled principal and interest repayments on long-term debt are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 243,893	\$ 176,339	\$ 420,232
2025	254,458	166,131	420,589
2026	264,997	155,592	420,589
2027	275,977	144,612	420,589
2028	230,822	134,300	365,122
2029 - 2034	719,405	570,525	1,289,930
2035 - 2039	833,564	419,176	1,252,740
2040 - 2044	1,017,859	234,881	1,252,740
2045 - 2046	639,391	36,239	675,630
	\$ 4,480,366	\$ 2,037,795	\$ 6,518,161

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. Lease Liabilities:

A schedule of changes in the Authority's lease liabilities is as follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Lease liabilities	\$ 78,319	\$ 40,720	\$ (24,590)	\$ 94,449	\$ 23,904

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Lease liabilities	\$ 99,599	\$ -	\$ (21,280)	\$ 78,319	\$ 24,590

The terms and due dates of the Authority's lease liabilities are as follows:

- Lease liability dated January 2021 in the original amount of \$100,071 for the use of medical equipment. The lease is due in monthly installments of \$1,609, including principal and interest of 4.94 percent, until December 2026.
- Lease liability dated December 2023 in the original amount of \$40,720 for the use of medical equipment. The lease is due in monthly installments of \$830, including principal and interest at 8.2 percent, until December 2028.
- Lease liability dated November 2018 in the original amount of \$38,048 for the use of medical equipment. The lease liability was paid in full during the year ended December 31, 2023. The related equipment was subsequently purchased by the Authority.

Scheduled principal and interest repayments on right-to-use lease liabilities are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 23,904	\$ 5,357	\$ 29,261
2025	25,350	3,911	29,261
2026	26,883	2,372	29,255
2027	8,779	1,176	9,955
2028	9,533	428	9,961
	\$ 94,449	\$ 13,244	\$ 107,693

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Net Patient Service Revenue:

The Authority recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Authority recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Authority's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Authority records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Authority's provisions for bad debt and writeoffs have decreased from the prior year due to a focus on revenue cycle improvements. The Authority has not changed its charity care or uninsured discount policies during fiscal year 2023.

Patient and resident service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2023	2022
Patient service revenue:		
Medicare	\$ 7,408,706	\$ 6,887,871
Medicaid	965,572	1,545,752
Other third-party payors	3,619,379	2,974,334
Patients and residents	505,273	740,719
340B contract pharmacy	226,116	101,482
	12,725,046	12,250,158
Less:		
Charity care	226,306	139,810
Provision for bad debts	265,736	1,734,229
Net patient service revenue	\$ 12,233,004	\$ 10,376,119

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

- *Medicare* – The Authority has been designated a critical access hospital and the clinic a rural health clinic by Medicare. The Authority is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority.
- *Medicaid* – Inpatient, outpatient, and rural health clinic services provided to Medicaid program beneficiaries are reimbursed under prospective payment methodologies.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Net Patient Service Revenue (continued):

The Authority also has 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.

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to the State of Oklahoma from Federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital. Critical access hospitals (CAH) are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. The Authority records receipts as a reduction in Medicaid contractual adjustments. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$203,000 in 2023, due to differences between original estimates and final settlements or revised estimates.

The Authority provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Authority's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Authority does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Authority determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients were approximately \$124,000 and \$81,000 for the years ended December 31, 2023 and 2022, respectively.

8. Taxation:

In 2018, the citizens of Ellis County, Oklahoma, approved a 1/2-cent sales tax from October 1, 2018 to September 30, 2020. The proceeds of this sales tax are restricted exclusively for ongoing operation and maintenance expenses of the Authority. During March 2020, the tax was extended for an addition five-year term from October 1, 2020 to September 30, 2025.

Effective October 1, 2018, the citizens of the Town of Shattuck (the Town) approved an increase of 1 percent in the Town's use tax for two years to be used to support the operations of the Authority. During 2022, the tax was extended for another two-year term which will expire September 30, 2024.

Unexpended funds related to taxation are reflected on the accompanying statements of net position as cash and cash equivalents held by the Authority.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

9. Retirement Plan:

The Authority participates in a Savings Incentive Match Plan for Employees of Small Employers (the Plan). The Authority contributes to individual retirement accounts established by employees who meet the eligibility requirements of the plan, up to a maximum matching contribution of 3 percent of an employee's annual compensation. Retirement expense is recorded for the amount of the Authority's required contributions determined in accordance with the terms of the plan. Total plan expense for the years ended December 31, 2023 and 2022, was approximately \$76,000 and \$57,000, respectively. Participant interests are fully vested in their contributions and the Authority's contributions immediately.

10. CARES Act Provider Relief Fund:

The Authority received \$3,523,309 of funding from the CARES Act Provider Relief Fund during prior fiscal years and recognized \$848,404 and \$345,534 during the years ended December 31, 2023 and 2022, respectively. The Authority previously recognized approximately \$2,329,000 of funding in prior fiscal years. The Authority had \$-0- remaining funds as of December 31, 2023, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus during the fiscal year.

11. Commitments and Contingencies:

Medical malpractice claims – The Authority has professional liability insurance with Medical Protective Company. The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the carrier in the current year are covered by the current policies.

If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Authority purchased claims-made insurance in that year or the Authority purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has no deductible per claim. No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

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; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Authority is self-insured for unemployment claims.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

11. Commitments and Contingencies (continued):

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Authority is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

12. Concentration of Credit Risk:

Patient accounts receivable – The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The majority of these patients are geographically concentrated in and around the Town of Shattuck, Oklahoma.

	2023	2022
Medicare	62 %	55 %
Medicaid	5	5
Other third-party payors	18	15
Patients	15	25
	100 %	100 %

Physicians – The Authority is dependent on local physicians practicing in its service area to provide admissions and utilize Authority services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Authority operations.

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

13. Condensed Combining Information:

The following summarizes combining information for the Authority and Hospital, which have been presented as blended component units, as of and for the year ended December 31, 2023.

Statement of net position as of December 31, 2023:

	Shattuck Hospital Authority	Newman Memorial Hospital, Inc.	Combined Total
ASSETS			
<i>Assets</i>			
Current assets	\$ 236,245	\$ 3,707,995	\$ 3,944,240
Other noncurrent assets	# 831,782	# 300,000	# 1,131,782
Capital and lease right-of-use assets, net	7,595,613	32,550	7,628,163
Total assets	\$ 8,663,640	\$ 4,040,545	\$ 12,704,185
LIABILITIES AND NET POSITION			
<i>Liabilities</i>			
Current liabilities	\$ 175,524	\$ 2,624,810	\$ 2,800,334
Long-term debt, less current maturities	3,994,655	241,818	4,236,473
Lease liabilities, less current maturities	-	70,545	70,545
Total liabilities	4,170,179	2,937,173	7,107,352
<i>Net position</i>			
Net investment in capital assets	3,075,206	(21,858)	3,053,348
Restricted	517,663	-	517,663
Unrestricted	900,592	1,125,230	2,025,822
Total net position	4,493,461	1,103,372	5,596,833
Total liabilities and net position	\$ 8,663,640	\$ 4,040,545	\$ 12,704,185

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

13. Condensed Combining Information (continued):

Statement of revenues, expenses, and changes in net position for the year ended December 31, 2023:

	Shattuck Hospital Authority	Newman Memorial Hospital, Inc.	Combined Total
<i>Operating revenues</i>			
Net patient service revenue	\$ -	\$ 12,233,004	\$ 12,233,004
Other	-	80,932	80,932
Total operating revenues	-	12,313,936	12,313,936
<i>Operating expenses</i>			
Depreciation and amortization	694,997	32,126	727,123
Other operating expenses	-	13,395,107	13,395,107
Total operating expenses	694,997	13,427,233	14,122,230
<i>Operating loss</i>	(694,997)	(1,113,297)	(1,808,294)
<i>Nonoperating revenues</i>	1,086,952	869,587	1,956,539
Change in net position	391,955	(243,710)	148,245
Transfers	(148,676)	148,676	-
Net position, beginning of year	4,250,182	1,198,406	5,448,588
Net position, end of year	\$ 4,493,461	\$ 1,103,372	\$ 5,596,833

Statement of cash flows for the year ended December 31, 2023:

	Shattuck Hospital Authority	Newman Memorial Hospital, Inc.	Combined Total
<i>Change in Cash and Cash Equivalents</i>			
Net cash from operating activities	\$ -	\$ (668,227)	\$ (668,227)
Net cash from noncapital financing activities	932,857	401,378	1,334,235
Net cash from capital and related financing activities	(790,313)	(17,681)	(807,994)
Net cash from investing activities	-	(297,177)	(297,177)
Net change in cash and cash equivalents	142,544	(581,707)	(439,163)
Cash and cash equivalents, beginning of year	689,238	1,244,254	1,933,492
Cash and cash equivalents, end of year	\$ 831,782	\$ 662,547	\$ 1,494,329

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

13. Condensed Combining Information (continued):

The following summarizes combining information for the Authority and Hospital, which have been presented as blended component units.

Statement of net position as of December 31, 2022:

	Shattuck Hospital Authority	Newman Memorial Hospital, Inc.	Combined Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
<i>Assets</i>			
Current assets	\$ 291,648	\$ 3,913,660	\$ 4,205,308
Other noncurrent assets	# 689,238	# -	# 689,238
Capital and lease right-of-use assets, net	7,608,065	35,650	7,643,715
Total assets	8,588,951	3,949,310	12,538,261
Deferred outflows of resources, goodwill	-	58,500	58,500
Total assets and deferred outflows of resources	\$ 8,588,951	\$ 4,007,810	\$ 12,596,761
LIABILITIES AND NET POSITION			
<i>Liabilities</i>			
Current liabilities	\$ 168,913	\$ 2,703,131	\$ 2,872,044
Long-term debt, less current maturities	4,169,856	52,544	4,222,400
Lease liabilities, less current maturities	-	53,729	53,729
Total liabilities	4,338,769	2,809,404	7,148,173
<i>Net position</i>			
Net investment in capital assets	3,137,737	26,620	3,164,357
Restricted	180,133	-	180,133
Unrestricted	932,312	1,171,786	2,104,098
Total net position	4,250,182	1,198,406	5,448,588
Total liabilities and net position	\$ 8,588,951	\$ 4,007,810	\$ 12,596,761

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

13. Condensed Combining Information (continued):

Statement of revenues, expenses, and changes in net position for the year ended December 31, 2022:

	Shattuck Hospital Authority	Newman Memorial Hospital, Inc.	Combined Total
<i>Operating revenues</i>			
Net patient service revenue	\$ -	\$ 10,376,119	\$ 10,376,119
Other	-	334,242	334,242
Total operating revenues	-	10,710,361	10,710,361
<i>Operating expenses</i>			
Depreciation and amortization	683,642	3,100	686,742
Other operating expenses	-	11,416,483	11,416,483
Total operating expenses	683,642	11,419,583	12,103,225
<i>Operating loss</i>	(683,642)	(709,222)	(1,392,864)
<i>Nonoperating revenues (expenses)</i>	1,048,253	357,060	1,405,313
Change in net position	364,611	(352,162)	12,449
Transfers	(517,826)	517,826	-
Net position, beginning of year	4,403,397	1,032,742	5,436,139
Net position, end of year	\$ 4,250,182	\$ 1,198,406	\$ 5,448,588

Statement of cash flows for the year ended December 31, 2022:

	Shattuck Hospital Authority	Newman Memorial Hospital, Inc.	Combined Total
<i>Change in Cash and Cash Equivalents</i>			
Net cash from operating activities	\$ -	\$ (1,479,667)	\$ (1,479,667)
Net cash from noncapital financing activities	588,910	607,495	1,196,405
Net cash from capital and related financing activities	(434,941)	(16,681)	(451,622)
Net cash from investing activities	-	4,304	4,304
Net change in cash and cash equivalents	153,969	(884,549)	(730,580)
Cash and cash equivalents, beginning of year	535,269	2,128,803	2,664,072
Cash and cash equivalents, end of year	\$ 689,238	\$ 1,244,254	\$ 1,933,492



INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Shattuck, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shattuck Hospital Authority doing business as Newman Memorial Hospital, Inc. (the Authority) as of and for the year ended December 31, 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, and have issued our report thereon dated August 7, 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) to determine the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2023-001.

The Authority's Response to Finding

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

Purpose of this Report

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

D3A PLLC

Spokane Valley, Washington
August 7, 2024

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Schedule of Findings and Responses
Year Ended December 31, 2023

2023-001 Maintenance of Pledged Collateral

<i>Condition</i>	During the course of the audit, it was discovered that the Authority did not have adequate pledged collateral in place to secure bank balances exceeding federal depository insurance limits.
<i>Criteria</i>	[X] Compliance Finding [] Significant Deficiency [] Material Weakness State law requires collateralization of all deposits with federal depository insurance or qualified investments.
<i>Context</i>	This finding is a <i>systemic</i> problem.
<i>Cause</i>	The Authority maintains deposits in excess of federal depository insurance without sufficient collateral agreements.
<i>Effect</i>	Cash balances which exceed federal depository insurance limits would be at risk of loss in the event of a bank failure.
<i>Recommendation</i>	We recommend that the Authority obtain sufficient pledged collateral to maintain compliance with state law.
<i>Management's Response</i>	We agree with the auditor's recommendation and have taken specific steps to eliminate any uncollateralized funds. Specifically, we have lowered the balance ceiling on hospital operating accounts so a greater portion of funds will be transferred to operating insured cash sweep (ICS) accounts where the funds are distributed through other ICS network banks to ensure full collateralization under the Federal Deposit Insurance Corporation (FDIC).

Shattuck Hospital Authority
doing business as Newman Memorial Hospital, Inc.
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2023

2022-001	Preparation of Financial Statements	Resolved
2022-002	Segregation of Duties and Oversight	Resolved
2022-003	Review of Significant Estimate Areas	Resolved
2022-004	Account Reconciliations	Resolved
2022-005	Maintenance of Pledged Collateral	Repeated as 2023-001