Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital

A Component Unit of the Town of Okeene, Oklahoma

Independent Auditor's Reports and Financial Statements

June 30, 2023 and 2022

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A Component Unit of the Town of Okeene, Oklahoma
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June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Okeene Municipal Hospital and Schallmo Authority
d/b/a Okeene Municipal Hospital
Okeene, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital (Hospital), a component unit of the Town of Okeene, Oklahoma, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Hospital'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 Hospital, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, on July 1, 2021, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Substantial Doubt About the Hospital's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern. As discussed in Note 16 to the financial statements, the Hospital has suffered recurring losses from operations and the failure of certain debt covenant requirements, which raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital'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 Hospital'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 Hospital'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 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 February 7, 2025 on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Tulsa, Oklahoma
February 7, 2025

Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital
A Component Unit of the Town of Okeene, Oklahoma
Balance Sheets
June 30, 2023 and 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 2,304,206	$ 3,428,444
Patient accounts receivable, net of allowance; 2023 – $187,000, 2022 – $328,000	1,169,151	1,094,082
Supplies	250,362	285,228
Prepaid expenses and other	58,835	44,364
Total Current Assets	3,782,554	4,852,118
Capital Assets, Net	3,789,036	4,083,822
Lease Assets, Net	32,704	90,145
Subscription Assets, Net	19,574	137,017
Other Assets	97,020	102,900
Total Assets	7,720,888	9,266,002
Deferred Outflows of Resources	172,996	189,575
Total Assets and Deferred Outflows of Resources	$ 7,893,884	$ 9,455,577

	2023	2022
LIABILITIES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 5,792,119	$ 6,022,773
Current portion of lease liabilities	-	75,102
Current portion of subscription liabilities	21,078	120,581
Accounts payable	189,756	161,847
Accrued expenses	356,463	314,081
Accrued interest payable	15,534	15,534
Estimated amounts due to third-party payors	196,000	301,000
Total Current Liabilities	6,570,950	7,010,918
Other Liabilities		
Subscription liabilities	-	21,078
Total Other Liabilities	-	21,078
Total Liabilities	6,570,950	7,031,996
Net Position		
Net investment in capital assets	(1,798,887)	(1,738,975)
Unrestricted	3,121,821	4,162,556
Total Net Position	1,322,934	2,423,581
Total Liabilities and Net Position	$ 7,893,884	$ 9,455,577

Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital
A Component Unit of the Town of Okeene, Oklahoma
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 – $421,377, 2022 – $594,833	$ 6,588,418	$ 6,851,608
Other	461,132	291,193
Total Operating Revenues	7,049,550	7,142,801
Operating Expenses		
Salaries and wages	2,778,715	2,635,469
Employee benefits	474,209	408,027
Purchased services and professional fees	2,285,885	2,133,560
Supplies and other	1,782,919	1,426,921
Depreciation and amortization	614,744	648,562
Total Operating Expenses	7,936,472	7,252,539
Operating Loss	(886,922)	(109,738)
Nonoperating Revenues (Expenses)		
Noncapital appropriations – Town of Okeene	110,381	113,029
Investment income	5,197	2,981
Interest expense	(329,303)	(380,873)
Noncapital grants and gifts	-	346,419
Gain on PPP loan forgiveness	-	649,010
Total Nonoperating Revenues (Expenses)	(213,725)	730,566
Increase (Decrease) in Net Position	(1,100,647)	620,828
Net Position, Beginning of Year, as Previously Reported	-	1,823,037
Adjustment applicable to prior years (Note 2)	-	(20,284)
Net Position, Beginning of Year, as Restated	2,423,581	1,802,753
Net Position, End of Year	$ 1,322,934	$ 2,423,581

Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital
A Component Unit of the Town of Okeene, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Receipts from and on behalf of patients	$ 6,408,349	$ 5,186,483
Payments to suppliers and contractors	(4,000,149)	(3,661,808)
Payments to and on behalf of employees	(3,210,542)	(2,945,760)
Other receipts and payments, net	446,661	301,348
Net Cash Used in Operating Activities	(355,681)	(1,119,737)
Noncapital Financing Activities		
Noncapital grants and gifts	-	346,419
Unspent government grants repaid	-	(225,237)
Town appropriations	110,381	113,029
Net Cash Provided by Noncapital Financing Activities	110,381	234,211
Capital and Related Financing Activities		
Principal paid on leases payable	(75,102)	(112,245)
Interest paid on leases payable	(2,424)	(9,634)
Principal paid on subscription liability	(120,581)	(112,801)
Interest paid on subscription liability	(7,195)	(14,975)
Principal paid on long-term debt	(230,654)	(188,571)
Interest paid on long-term debt	(303,105)	(345,188)
Purchase of capital assets	(145,074)	(221,966)
Net Cash Used in Capital and Related Financing Activities	(884,135)	(1,005,380)
Investing Activities		
Interest on investments	5,197	2,981
Net Cash Provided by Investing Activities	5,197	2,981
Decrease in Cash and Cash Equivalents	(1,124,238)	(1,887,925)
Cash and Cash Equivalents, Beginning of Year	3,428,444	5,316,369
Cash and Cash Equivalents, End of Year	$ 2,304,206	$ 3,428,444

	2023	2022
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (886,922)	$ (109,738)
Depreciation and amortization	614,744	648,562
Provision for uncollectible accounts	421,377	594,833
Changes in operating assets and liabilities		
Patient accounts receivable, net	(496,446)	(538,386)
Supplies, prepaid expenses, and other receivables	26,275	(28,209)
Estimated amounts due to/from third-party payors	(105,000)	(1,721,572)
Accounts payable and accrued expenses	70,291	34,773
Net Cash Used in Operating Activities	$ (355,681)	$ (1,119,737)
Supplemental Cash Flows Information		
Forgiveness of PPP loan	$ -	$ 649,010

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

Nature of Operations and Reporting Entity

Okeene Municipal Hospital (Hospital) is operated under the Okeene Municipal Hospital and Schallmo Authority (Authority), a public trust established for the benefit of the Town of Okeene in Blaine County, Oklahoma. The Authority is a component unit of the Town of Okeene, Oklahoma (Town). The Town's Board appoints the Board of Trustees of the Authority.

The Authority operates the Hospital under a bargain lease agreement with the Town. The initial term of the lease was from December 1, 2004 to November 30, 2014 and will remain in effect thereafter as long as any security interest in the hospital facility has been given to a financial institution or creditor. The lease has been amended to extend the lease term by an additional 21 years until November 30, 2035. Upon termination of the lease, control of hospital operations reverts back to the Town.

The Hospital, located in Okeene, Oklahoma, is a 17-bed critical access hospital and primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Okeene, Oklahoma, area. The Hospital operates a physician clinic in the same geographic area.

Basis of Accounting and Presentation

The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, town 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, such as town appropriations and interest on capital assets-related debt, are included in nonoperating revenues and expenses. The Hospital 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 outflows 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 Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of certificates of deposit.

Patient Accounts Receivable

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

Supplies

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

Investment Income

Investment income consists of interest income.

Capital Assets

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

Land improvements, buildings, and leasehold improvements	5–50 years
Equipment	3–25 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 and certain payments made 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 Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Deferred Outflows of Resources

The Hospital reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheets.

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash.

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

Net Position

Net position of the Hospital is classified in two components:

- Net investment in capital assets consists of capital, lease, 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.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital 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 Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the Town, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare & Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is designed to assess certain 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.

Critical access hospitals are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. During 2023 and 2022, the Hospital received approximately $315,000 and $254,000, respectively, in SHOPP funds. Revenue from the SHOPP is recorded in net patient service revenue on the accompanying statements of revenues, expenses, and changes in net position.

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 Hospital, beginning in fiscal year 2024, is expected to be a material increase in SHOPP funding over the two programs. The annual amounts to be received by the Hospital over the term of the SHOPP are subject to change annually based on various factors including the Federal Medical Assistance Percentages (FMAP) and state funding.

Note 2. Change in Accounting Principles

GASB Statement No. 87, Leases

On July 1, 2021, the Hospital adopted GASB Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset. The effect of the adoption resulted in a change to previously reported net position by $20,284.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

On July 1, 2021, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a retrospective method of adoption to all SBITAs in place at the beginning of the earliest period presented. The statement requires governments to recognize a subscription liability, measured at the present value of payments expected to be made during the subscription term, and an intangible subscription asset. The adoption resulted in no impact to beginning net position as of July 1, 2021.

Note 3. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital 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 based on a cost reimbursement methodology. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital’s Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2022.

Medicaid – The Hospital is reimbursed for services rendered to patients covered by the state Medicaid program on a prospective per discharge or fee schedule method with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Approximately 72% and 71% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2023 and 2022, 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.

Note 4. Unrestricted Town Appropriations

Effective October 1, 1999, the citizens of Okeene, Oklahoma, approved a 1% sales tax to be appropriated to the Hospital to support its operations. The tax is to remain in effect so long as the Hospital is in operation or until the sales tax is repealed. The Town collects the sales tax and remits it to the Hospital monthly. The Hospital received approximately 2% of its financial support from town appropriations related to sales tax during 2023 and 2022. Revenue from town appropriations is recognized in the year in which the sales tax is earned.

Note 5. 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 Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires that all deposits for public trusts be insured or collateralized.

At June 30, 2023 and 2022, none of the Hospital's bank balances of approximately $2,388,000 and $3,513,000, respectively, were exposed to custodial credit risk with collateral held by the pledging financial institution to cover any uninsured balances.

Note 6. Patient Accounts Receivable

The Hospital 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:

	2023	2022
Medicare	$ 977,877	$ 814,924
Medicaid	57,135	81,206
Other third-party payors	103,265	46,342
Patients	217,874	479,610
	1,356,151	1,422,082
Less allowance for uncollectible accounts	187,000	328,000
Patient accounts receivable, net	$ 1,169,151	$ 1,094,082

Note 7. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended June 30 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2023					
Land	$ 160,101	$ -	$ -	$ -	$ 160,101
Land improvements	76,984	23,505	-	-	100,489
Buildings, improvements, and fixed equipment	9,278,864	-	-	-	9,278,864
Major moveable equipment	1,803,856	121,569	-	-	1,925,425
Construction in progress	10,000	-	-	-	10,000
	11,329,805	145,074	-	-	11,474,879
Less accumulated					
Land improvements	69,467	2,119	-	-	71,586
Buildings, improvements, and fixed equipment	5,958,882	343,569	-	-	6,302,451
Major moveable equipment	1,217,634	94,172	-	-	1,311,806
	7,245,983	439,860	-	-	7,685,843
Capital assets, net	$ 4,083,822	$ (294,786)	$ -	$ -	$ 3,789,036

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
2022					
Land	$ 160,101	$ -	$ -	$ -	$ 160,101
Land improvements	76,984	-	-	-	76,984
Buildings, improvements, and fixed equipment	9,252,213	21,908	-	4,743	9,278,864
Major moveable equipment	1,608,541	200,058	-	(4,743)	1,803,856
Construction in progress	10,000	-	-	-	10,000
	11,107,839	221,966	-	-	11,329,805
Less accumulated					
Land improvements	67,457	2,010	-	-	69,467
Buildings, improvements, and fixed equipment	5,609,623	349,259	-	-	5,958,882
Major moveable equipment	1,134,986	82,648	-	-	1,217,634
	6,812,066	433,917	-	-	7,245,983
Capital assets, net	$ 4,295,773	$ (211,951)	$ -	$ -	$ 4,083,822

Lease assets activity for the years ended June 30 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2023					
Equipment	$ 187,347	$ -	$ (108,074)	-	$ 79,273
Less accumulated Equipment	97,202	57,441	(108,074)	-	46,569
Lease assets, net	$ 90,145	$ (57,441)	$ -	$ -	$ 32,704
2022 (As Restated)					
Equipment	$ 187,347	$ -	$ -	$ -	$ 187,347
Less accumulated Equipment	-	97,202	-	-	97,202
Lease assets, net	$ 187,347	$ (97,202)	$ -	$ -	$ 90,145

Subscription asset activity for the years ended June 30 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2023					
Subscription IT asset	$ 254,460	$ -	$ -	$ -	$ 254,460
Less accumulated Subscription IT asset	117,443	117,443	-	-	234,886
Subscription assets, net	$ 137,017	$ (117,443)	$ -	$ -	$ 19,574
2022 (As Restated)					
Subscription IT asset	$ 254,460	$ -	$ -	$ -	$ 254,460
Less accumulated Subscription IT asset	-	117,443	-	-	117,443
Subscription assets, net	$ 254,460	$ (117,443)	$ -	$ -	$ 137,017

Note 8. Long-Term Obligations

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2023					
Notes payable to bank					
Guaranteed portion	$ 4,224,011	$ -	$ (135,727)	$ 4,088,284	$ 4,088,284
Unguaranteed portion	1,798,762	-	(94,927)	1,703,835	1,703,835
Total long-term debt	6,022,773	-	(230,654)	5,792,119	5,792,119
Other long-term liabilities					
Lease liabilities	75,102	-	(75,102)	-	-
Subscription liabilities	141,659	-	(120,581)	21,078	21,078
Total other long-term liabilities	216,761	-	(195,683)	21,078	21,078
Total long-term obligations	$ 6,239,534	$ -	$ (426,337)	$ 5,813,197	$ 5,813,197

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
2022					
Notes payable to bank					
Guaranteed portion	$ 4,346,716	$ -	$ (122,705)	$ 4,224,011	$ 4,224,011
Unguaranteed portion	1,864,628	-	(65,866)	1,798,762	1,798,762
PPP loan	649,010	-	(649,010)	-	-
Total long-term debt	6,860,354	-	(837,581)	6,022,773	6,022,773
Other long-term liabilities					
Lease liabilities	187,347	-	(112,245)	75,102	75,102
Subscription liabilities	254,460	-	(112,801)	141,659	120,581
Total other long-term liabilities	441,807	-	(225,046)	216,761	195,683
Total long-term obligations	$ 7,302,161	$ -	$ (1,062,627)	$ 6,239,534	$ 6,218,456

Notes Payable to Bank

In 2016, the Authority issued a $7,000,000 note payable to bank to advance refund a previous obligation. Seventy percent of the balance on the note payable to bank is guaranteed by the U.S. Department of Agriculture and bears interest at the Wall Street Journal Prime Rate plus 2% (5.5% as of June 30, 2023 and 2022) and is adjusted every 10 years. The unguaranteed portion of the note payable bears interest at the Wall Street Journal Prime Rate plus 1.25% (4.50% as of June 30, 2023 and 2022) and is adjusted every three years. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the term of the previous obligation using the effective interest method.

These outstanding notes payable to bank, which represent direct borrowings and direct placements, are secured with collateral of the assets and revenues of the Authority. This outstanding note contains (1) a provision that in an event of default, the repayment of outstanding amounts may become immediately due and (2) a provision that if the Authority is unable to make payment, outstanding amounts are due immediately. The note also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

The note agreement requires the Hospital to comply with certain restrictive covenants, including maintaining a debt service coverage ratio of at least 1.20-to-1.00, a minimum current ratio of at least 1.50-to-1.00, a debt-to-net worth ratio not to exceed 9.00-to-1.00, and a minimum of 10% tangible balance sheet equity. The Hospital was in violation of the debt service coverage ratio at June 2023. The lender may, at its option, give notice to the Hospital that amounts are immediately due and payable. As a result, the Hospital's total long-term debt has been classified as a current liability in the accompanying balance sheets at June 30, 2023 and 2022. The lender has not formally accelerated to call the debt as a result of the covenant violation through February 7, 2025.

Paycheck Protection Program (PPP) Loan

In January 2021, the Hospital received a loan of $649,010 under the PPP. The loan matures in January 2026, with payments beginning in August 2021, including principal and interest at 1% per annum. The note was forgiven effective August 5, 2021. See Note 15 for further discussion on this note payable.

Debt Service Requirements

The debt service requirements for the notes payable to bank as of June 30, 2023, if not called by the bank, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2024	$ 533,760	$ 233,417	$ 300,343
2025	533,760	246,288	287,472
2026	533,759	259,223	274,536
2027	533,760	272,846	260,914
2028	533,760	286,667	247,093
2029–2033	2,668,797	1,678,741	990,056
2034–2038	2,336,508	1,824,654	511,854
2039–2041	1,076,687	990,283	86,404
	$ 8,750,791	$ 5,792,119	$ 2,958,672

Note 9. Lease and Subscription Liabilities

The Hospital leases equipment, the terms of which expired in 2023.

The Hospital has a SBITA, the terms of which expire in 2024. The following is a schedule by year of payments under the SBITA as of June 30, 2023:

Year Ending June 30,	Total to be Paid	Principal	Interest
2024	$ 21,296	$ 21,078	$ 218
	$ 21,296	$ 21,078	$ 218

Note 10. Medical Malpractice Claims

The Hospital 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 Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 11. Charity Care

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

Uncompensated costs relating to these services are approximately as follows:

	2023	2022
Charity allowances	$ 17,000	$ 5,100
State Medicaid and other public aid programs	66,200	198,400
	$ 83,200	$ 203,500

The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges based on the June 30, 2023 and 2022 Medicare cost reports, respectively. In addition to uncompensated costs, the Hospital also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, community educational services, and various support groups.

Note 12. Related-Party Transactions

Effective May 2020, the Hospital entered into an agreement with SSM Health Care of Oklahoma, Inc. (SSM), an Oklahoma nonprofit corporation that owns and operates St. Anthony Hospital, to provide management services to the Hospital. SSM provides the Hospital with a chief executive officer for whom the Hospital reimburses compensation expenses, including salaries and employee benefits. The management service contract expired March 31, 2024. Thereafter the contract automatically extends on a day-to-day basis until terminated by either party. The Hospital intends to renew the agreement during fiscal year 2025. The management fee is 2.75% of net patient service revenue as reflected on the cost report.

The Hospital had a payable to SSM of approximately $27,000 and $32,000 for the years ended June 30, 2023 and 2022, respectively, which is recorded in accounts payable in the accompanying balance sheets. The Hospital paid expenses to SSM of approximately $363,000 and $339,000 for the years ended June 30, 2023 and 2022, respectively, which is recorded in purchased services and professional fees in the accompanying statements of revenues, expenses, and changes in net position.

Effective January 2011, the Hospital entered into a contract with SSM to provide remote access to its electronic health system and supporting services for a 10-year term. This arrangement is recorded as a subscription liability (Note 9). The Hospital paid approximately $128,000 to SSM related to this contract for the years ended June 30, 2023 and 2022, respectively.

Note 13. Pension Plan

The Hospital contributes to the Okeene Municipal Hospital & Schallmo Authority 457(b) Plan, a defined contribution pension plan, which covers substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by Nationwide. 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 Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 4.6% and 1.8%, respectively, for 2023 and 4.0% and 1.4%, respectively, for 2022. Contributions actually made by plan members and the Hospital aggregated approximately $127,000 and $50,000, respectively, during the year ended June 30, 2023 and approximately $106,000 and $37,000, respectively, during the year ended June 30, 2022. Employees are immediately vested in all contributions.

Note 14. Contingencies

Litigation

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

Note 15. COVID-19 Pandemic and Federal Funding

On March 11, 2020, the World Health Organization (WHO) designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by healthcare facilities.

Effective May 8, 2023, the WHO determined that COVID-19 is an established and ongoing health issue which no longer constitutes a public health emergency.

Provider Relief Fund

During the years ended June 30, 2023 and 2022, the Hospital received approximately $0 and $336,000, respectively, of distributions from the Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through June 30, 2022, the Hospital recognized approximately $336,000 in revenue related to the Provider Relief Fund during the year ended June 30, 2023. This revenue is recorded as nonoperating revenue – noncapital grants and gifts in the accompanying statements of revenues, expenses, and changes in net position. During 2022, the Hospital returned unspent Provider Relief Fund distributions from prior years totaling approximately $226,000 to HHS.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advance Payment Program

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

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

During the year ended June 30, 2020, the Hospital received approximately $1,770,000 from these accelerated Medicare payment requests. During the years ended June 30, 2023 and 2022, Medicare applied approximately

$1,063,000 and $520,000, respectively, from accelerated Medicare payment requests against filed claims. As of June 30, 2023 and 2022, the Hospital had approximately $0 and $520,000 of accelerated Medicare payments due to CMS outstanding, all of which were recorded as estimated amounts due to third-party payors in the accompanying balance sheets.

Paycheck Protection Program Loan

The CARES Act and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loan will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses.

The Hospital received a PPP loan of $649,010 in January 2021. The loan had an interest rate of 1%, with payments of $12,358 due monthly starting in August 2021 (see Note 8). This PPP loan was forgiven in August 2021.

The Hospital is accounting for the PPP loan in accordance with GASB Statement No. 62. Interest is accrued in accordance with the loan agreements. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The forgiveness of the second PPP loan is included on the accompanying statements of revenues, expenses, and changes in net position as forgiveness of debt in accordance with the terms of the PPP loan agreement. See Note 8 for additional information.

Note 16. Management's Consideration of Going Concern Matters

The Hospital has incurred significant operating losses; as a result, the Hospital is in technical default of certain debt covenants as described in Note 8. The Hospital's default of the debt covenants described in Note 8 raises substantial doubt about the Hospital's ability to continue as a going concern. Management has taken steps to implement certain plans, such as the hiring of additional providers and expanding participation in the 340B program. Management is evaluating alternatives for mitigating these conditions during the next year, including reviewing expenses of the Hospital and expanding service lines. However, there can be no assurance that the Hospital will be successful in achieving its objectives.

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern; however, the above conditions raise substantial doubt about the Hospital's ability to do so. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Hospital be unable to continue as a going concern.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Okeene Municipal Hospital and Schallmo Authority
d/b/a Okeene Municipal Hospital
Okeene, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital (Hospital), a component unit of the Town of Okeene, Oklahoma, which comprise the Hospital's balance sheet as of June 30, 2023, 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 February 7, 2025, which contained *Emphasis of Matter* paragraphs regarding a change in accounting principles and substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time and an *Other Matter* paragraph regarding omission of required supplementary information.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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*.

Hospital's Response to Findings

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

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
February 7, 2025

Reference Number	Finding
2023-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – Employee duties are not adequately segregated among access, accounting, and monitoring duties in the purchases, cash disbursements, and accounts payable (cash outflows) transactions cycle; the patient revenues, cash receipts, and accounts receivable (cash inflows) transactions cycle; and the payroll transactions cycle. The Hospital’s chief financial officer has the ability to access cash and other assets of the organization and perform most recording and monitoring duties. Additionally, there were no review procedures in place to ensure that adjusting journal entries that are prepared by the chief financial officer were reviewed. Effect – Potentially material misstatements in the accompanying financial statements or material misappropriation of assets could occur and not be prevented or detected in a timely manner. Cause – Duties in the cash inflows, cash outflows, and payroll transactions cycles are not adequately segregated, and monitoring or other compensating controls are insufficient. Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs. Management should also institute review procedures requiring review of adjusting journal entries by an individual other than the preparer. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and will perform the suggested evaluation within the next year.

Reference Number	Finding
2023-02	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting and significant estimates in the financial statements. Condition – Errors were identified in several balance sheet accounts, which required adjusting journal entries to correct misstatements related to differences in account reconciliations, errors in application of new accounting standards, and significant estimates related to contractual adjustments on patient accounts receivable. Effect – Adjustments were identified that were required to correct misstatements not identified or corrected by management. Potentially material misstatements in the accompanying financial statements or material misappropriation of assets could occur and not be prevented or detected in a timely manner. Cause – Recording and monitoring procedures in internal control over financial reporting process were not effective in the patient accounts receivable estimate methodology and various differences between general ledger accounts and supporting documentation. Recommendation – Management should revise the monthly procedures of evaluation and reconciliation of general ledger accounts to underlying supporting documents and computing key significant estimates. Additionally, management should implement additional review procedures for reconciliations and significant estimates. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to periodically review the material balance sheet account reconciliations and the methodologies used in accurately estimating allowances on patient accounts receivable.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Okeene Municipal Hospital and Schallmo Authority
d/b/a Okeene Municipal Hospital
Okeene, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital (Hospital), a component unit of the Town of Okeene, Oklahoma, which comprise the Hospital's balance sheet as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 7, 2025, which contained *Emphasis of Matter* paragraphs regarding a change in accounting principles and substantial doubt about the Hospital's ability to continue as a going concern and an *Other Matter* paragraph regarding omission of required supplementary information.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-01 and 2022-02, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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*.

Hospital's Response to Findings

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

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
February 7, 2025

Reference Number	Finding
2022-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – Employee duties are not adequately segregated among access, accounting, and monitoring duties in the purchases, cash disbursements, and accounts payable (cash outflows) transactions cycle; the patient revenues, cash receipts, and accounts receivable (cash inflows) transactions cycle; and the payroll transactions cycle. The Hospital's chief financial officer has the ability to access cash and other assets of the organization and perform most recording and monitoring duties. Additionally, there were no review procedures in place to ensure that adjusting journal entries that are prepared by the chief financial officer were reviewed. Effect – Potentially material misstatements in the accompanying financial statements or material misappropriation of assets could occur and not be prevented or detected in a timely manner. Cause – Duties in the cash inflows, cash outflows, and payroll transactions cycles are not adequately segregated, and monitoring or other compensating controls are insufficient. Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs. Management should also institute review procedures requiring review of adjusting journal entries by an individual other than the preparer. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and will perform the suggested evaluation within the next year.

Reference Number	Finding
2022-02	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting and significant estimates in the financial statements. Condition – Errors were identified in several balance sheet accounts, which required adjusting journal entries to correct misstatements related to differences in account reconciliations, errors in application of new accounting standards, and significant estimates related to contractual adjustments on patient accounts receivable. Effect – Adjustments were identified that were required to correct misstatements not identified or corrected by management. Potentially material misstatements in the accompanying financial statements or material misappropriation of assets could occur and not be prevented or detected in a timely manner. Cause – Recording and monitoring procedures in internal control over financial reporting process were not effective in the patient accounts receivable estimate methodology and various differences between general ledger accounts and supporting documentation. Recommendation – Management should revise the monthly procedures of evaluation and reconciliation of general ledger accounts to underlying supporting documents and computing key significant estimates. Additionally, management should implement additional review procedures for reconciliations and significant estimates. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to periodically review the material balance sheet account reconciliations and the methodologies used in accurately estimating allowances on patient accounts receivable.