



Financial Statements
June 30, 2024 and 2023

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority

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A Component Unit of the
Purcell Public Works Authority
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June 30, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Purcell Municipal Hospital
A Component Unit of the Purcell Public Works Authority
Purcell, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Purcell Municipal Hospital (Hospital), a component unit of the Purcell Public Works Authority, as of and for the year then ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Purcell Municipal 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 respective financial position of the Hospital, as of June 30, 2024, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

The financial statements of the Hospital for the year ended June 30, 2023, were audited by another auditor, who expressed an unmodified opinion on those statements on October 31, 2023.

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.

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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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 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, 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.

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

Oklahoma City, Oklahoma
October 28, 2024

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 467,829	\$ 330,074
Board-designated		
Cash equivalents	71,801	67,645
Short-term investments	100,997	290,000
Receivables		
Patient (and resident), net of estimated uncollectibles of approximately \$1,468,000 in 2024 and \$682,000 in 2023	1,282,145	975,048
Lease	1,062	13,791
Prepaid expenses	75,761	86,226
Supplies	68,291	107,874
Total current assets	<u>2,067,886</u>	<u>1,870,658</u>
Capital Assets, Net		
Capital assets not being depreciated	22,186	22,186
Capital assets being depreciated, net	<u>1,444,603</u>	<u>1,756,612</u>
Total capital assets, net	<u>1,466,789</u>	<u>1,778,798</u>
Right to Use Leased Assets, Net	<u>257,813</u>	<u>411,251</u>
Right to Use Subscription IT Assets, Net	<u>406,928</u>	<u>553,481</u>
Other Assets		
Investment in and advances in equity investee	<u>120,997</u>	<u>120,997</u>
Total assets	<u><u>\$ 4,320,413</u></u>	<u><u>\$ 4,735,185</u></u>

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Position		
Current Liabilities		
Current maturities of of lease liabilities	\$ 124,598	\$ 138,993
Current maturities of subscription IT liabilities	147,062	140,950
Accounts payable		
Trade	1,129,339	1,494,942
Estimated third-party payor settlements	11,365	35,024
Accrued expenses	<u>337,505</u>	<u>320,575</u>
Total current liabilities	1,749,869	2,130,484
Long-Term Lease Liabilities, Less Current Maturities	155,131	276,897
Long-Term Subscription IT Liabilities, Less Current Maturities	<u>276,929</u>	<u>423,991</u>
Total liabilities	<u>2,181,929</u>	<u>2,831,372</u>
Net Position - Unrestricted		
Net investment in capital assets	1,427,810	1,762,699
Unrestricted	<u>710,674</u>	<u>141,114</u>
Total net position	<u>2,138,484</u>	<u>1,903,813</u>
Total liabilities and net position	<u><u>\$ 4,320,413</u></u>	<u><u>\$ 4,735,185</u></u>

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$2,904,549 in 2024 and \$2,274,547 in 2023	10,232,247	\$ 8,428,440
Other revenue	<u>5,618</u>	<u>148,793</u>
Total operating revenues	<u>10,237,865</u>	<u>8,577,233</u>
Operating Expenses		
Salaries and wages	4,179,991	3,875,809
Employee benefits	703,256	660,137
Purchased services and professional fees	4,132,449	4,581,798
Supplies and other	1,549,320	2,029,258
Depreciation and amortization	<u>618,452</u>	<u>906,274</u>
Total operating expenses	<u>11,183,468</u>	<u>12,053,276</u>
Operating Loss	<u>(945,603)</u>	<u>(3,476,043)</u>
Nonoperating Revenues (Expenses)		
City appropriation	1,190,162	1,250,000
Interest income	7,408	3,399
Interest expense	(41,806)	(44,056)
Loss on investment in equity investee	-	(9,017)
Noncapital contributions and grants	-	11,520
Gain (loss) on disposal of capital assets	<u>24,510</u>	<u>(10,740)</u>
Total nonoperating revenues (expenses)	<u>1,180,274</u>	<u>1,201,106</u>
Change in Net Position	234,671	(2,274,937)
Net Position, Beginning of Year	<u>1,903,813</u>	<u>4,178,750</u>
Net Position, End of Year	<u><u>\$ 2,138,484</u></u>	<u><u>\$ 1,903,813</u></u>

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Receipts from and on behalf of patients	\$ 9,901,491	\$ 8,037,243
Payments to suppliers and contractors	(5,997,324)	(6,512,659)
Payments to and on behalf of employees	(4,866,317)	(4,514,588)
Other receipts and disbursements, net	18,347	195,779
Net Cash used for Operating Activities	(943,803)	(2,794,225)
Noncapital Related Financing Activities		
City appropriation	1,190,162	1,250,000
Noncapital contributions (and grants)	-	11,520
Net Cash from Noncapital Related Financing Activities	1,190,162	1,261,520
Capital and Capital Related Financing Activities		
Principal payments on lease liabilities	(136,161)	(157,962)
Interest paid on lease liabilities	(24,421)	(17,005)
Principal payments on subscription IT liabilities	(140,950)	(135,093)
Interest paid on subscription IT liabilities	(17,385)	(27,051)
Proceeds from sale of capital assets	24,510	-
Purchase of capital assets	(6,452)	(943,909)
Net Cash used for Capital and Related Financing Activities	(300,859)	(1,281,020)
Investing Activities		
Certificate of deposit maturity	189,003	-
Interest on investments	7,408	3,399
Net Cash from Investing Activities	196,411	3,399
Net Change in Cash and Cash Equivalents	141,911	(2,810,326)
Cash and Cash Equivalents, Beginning of Year	397,719	3,208,045
Cash and Cash Equivalents, End of Year	\$ 539,630	\$ 397,719
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position	2024	2023
Cash and cash equivalents	\$ 467,829	\$ 330,074
Board-designated Cash equivalents	71,801	67,645
	\$ 539,630	\$ 397,719

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating Loss	\$ (945,603)	\$ (3,476,043)
Adjustments to reconcile operating loss to net cash used for operating activities		
Provision for bad debts	2,904,549	2,274,547
Depreciation	618,452	906,274
Changes in assets and liabilities		
Patient receivables	(3,211,646)	(2,028,869)
Other receivables	12,729	-
Supplies	10,465	74,820
Prepaid expenses	39,583	-
Accounts payable	(365,603)	-
Estimated third-party payor settlements	(23,659)	(636,875)
Accrued expenses	16,930	91,921
Net Cash used for Operating Activities	<u>\$ (943,803)</u>	<u>\$ (2,794,225)</u>
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Lease liability for the acquisition of a right to use leased asset	<u>\$ -</u>	<u>\$ 257,865</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

The Hospital is a 10-bed acute care hospital located in the City of Purcell, Oklahoma (City). The Hospital is leased from the City of Purcell, Oklahoma to the Purcell Public Works Authority. The Hospital is a public trust created under the laws of the State of Oklahoma and is exempt from income taxes under Section 115 of the Internal Revenue Code as a political subdivision of the State of Oklahoma. The bylaws of the Purcell Municipal Hospital, an enterprise fund of Purcell Public Works Authority provides for a Board of Trustees to conduct the business of the Hospital and to provide short-term acute care services for the citizens of Purcell, Oklahoma.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital 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 Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital 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 Hospital. The Hospital has no component units which meet the GASB criteria.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

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

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

Restricted net position:

Restricted, expendable for capital acquisition consists of assets whose use is restricted for a specific purpose. The Hospital does not have restricted net position as of June 30, 2024 and 2023.

Restricted, nonexpendable is subject to externally imposed stipulations which require them to be maintained permanently by the Authority. The Hospital does not have restricted net position as of June 30, 2024 and 2023.

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Short-Term Investments

Short-term investments include certificates of deposit with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments. Investment income consists of interest income.

Patient Receivables

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

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

Supplies

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

Capital Assets

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

Building improvements	5 - 20 Years
Equipment	3 - 25 Years

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

Right to Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 4 to 5 years.

Right to Use Subscription IT Assets

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Hospital's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful live of the underlying asset using The straight-line method. The amortization period is 5 years.

Lease Liabilities

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

Subscription IT Liabilities

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

Impairment of Long-Lived Assets

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

Compensated Absences

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

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$13,000 and \$52,000 for the years ended June 30, 2024 and 2023, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

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

Note 2 - 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. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The clinic(s) is (are) designated as a Certified (Provider Based) Rural Health Clinic(s) by the Medicare program. As a result, clinical services rendered to Medicare program beneficiaries are reimbursed at cost (subject to various limits)] The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended June 30, 2021 and June 30, 2023.

Medicaid: The Hospital is reimbursed for services rendered to patients covered by the State Medicaid Program on a prospective basis at predetermined rates with no retroactive adjustment.

Other insurance carriers: The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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

	2024	2023
Medicare	52%	46%
Medicaid	15%	16%
Commercial insurance and other	28%	34%
Patients (self pay)	5%	4%
	<u>100%</u>	<u>100%</u>

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

Note 3 - Deposits and Investments

The carrying amount of deposits as of June 30, 2024 and 2023 are as follows:

	2024	2023
Carrying amount		
Deposits	\$ 539,630	\$ 397,719
Certificates of Deposit	100,997	290,000
	<u>\$ 640,627</u>	<u>\$ 687,719</u>

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

	2024	2023
Cash and cash equivalents	\$ 467,829	\$ 330,074
Board designated for capital acquisition		
Cash equivalents	71,801	67,645
Certificates of deposit	100,997	290,000
	<u>\$ 640,627</u>	<u>\$ 687,719</u>

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The Hospital has a general investment policy to minimize custodial credit risk but does not further restrict bank deposits or limit investment deposits.

The Hospital's deposits in banks at June 30, 2024 and 2023 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

Purcell Municipal Hospital
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Notes to Financial Statements
June 30, 2024 and 2023

Note 4 - Capital Assets

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

	Balance June 30, 2023	Additions	Retirements / Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 22,186	\$ -	\$ -	\$ 22,186
Capital assets being depreciated				
Buildings and improvements	\$ 114,929	\$ -	\$ -	\$ 114,929
Major moveable equipment	4,435,770	6,452	-	4,442,222
Total capital assets being depreciated	4,550,699	\$ 6,452	\$ -	4,557,151
Less accumulated depreciation for:				
Buildings and improvements	(110,071)	\$ (4,858)	\$ -	(114,929)
Major moveable equipment	(2,684,016)	(313,603)	-	(2,997,619)
Total accumulated depreciation	(2,794,087)	\$ (318,461)	\$ -	(3,112,548)
Net capital assets being depreciated	\$ 1,756,612			\$ 1,444,603
Capital assets, net	\$ 1,778,798			\$ 1,466,789

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Notes to Financial Statements
June 30, 2024 and 2023

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

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 22,186	\$ -	\$ -	\$ 22,186
Construction in progress	730,444	578,626	(1,309,070)	-
Total capital assets not being depreciated	<u>\$ 752,630</u>	<u>\$ 578,626</u>	<u>\$ (1,309,070)</u>	<u>\$ 22,186</u>
Capital assets being depreciated				
Land improvements	\$ 42,221	\$ -	\$ (42,221)	\$ -
Buildings and improvements	7,540,109	-	(7,425,180)	114,929
Major moveable equipment	3,718,172	365,283	352,315	4,435,770
Total capital assets being depreciated	<u>11,300,502</u>	<u>\$ 365,283</u>	<u>\$ (7,115,086)</u>	<u>4,550,699</u>
Less accumulated depreciation for:				
Land improvements	(42,221)	\$ -	\$ 42,221	-
Buildings and improvements	(7,021,586)	(241,354)	7,152,869	(110,071)
Major moveable equipment	(3,542,119)	(360,730)	1,218,833	(2,684,016)
Total accumulated depreciation	<u>(10,605,926)</u>	<u>\$ (602,084)</u>	<u>\$ 8,413,923</u>	<u>(2,794,087)</u>
Net capital assets being depreciated	<u>\$ 694,576</u>			<u>\$ 1,756,612</u>
Capital assets, net	<u>\$ 1,447,206</u>			<u>\$ 1,778,798</u>

Note 5 - Investment in and Advances to Equity Investee

The investment in and advances to equity investee relate to an approximate 1% ownership of Tecumseh Health Reciprocal Risk Retention (Tecumseh). The Hospital purchases its professional liability (medical malpractice) and general liability insurance coverage from Tecumseh (see Note 12).

Purcell Municipal Hospital
A Component Unit of the
Purcell Public Works Authority
Notes to Financial Statements
June 30, 2024 and 2023

Note 6 - Leases

The Hospital has entered into four lease agreements for medical equipment. The Hospital is required to make principal and interest payments through October 2027. The lease agreements have interest rates between 3.4% and 7.0%.

Right to use leased assets additions, deletions, and balances for the year ended June 30, 2024 and 2023, are as follows:

	Balance June 30, 2023	Additions	Retirements / Transfers	Balance June 30, 2024
Right to use leased equipment	\$ 715,520	\$ -	\$ -	\$ 715,520
Less accumulated depreciation	<u>(304,269)</u>	<u>(153,438)</u>	<u>-</u>	<u>(457,707)</u>
Net right to use leased assets	<u>\$ 411,251</u>	<u>\$ (153,438)</u>	<u>\$ -</u>	<u>\$ 257,813</u>
	Balance June 30, 2022	Additions	Retirements / Transfers	Balance June 30, 2023
Right to use leased equipment	\$ 569,754	\$ 257,865	\$ (112,099)	\$ 715,520
Less accumulated depreciation	<u>(258,731)</u>	<u>(157,637)</u>	<u>112,099</u>	<u>(304,269)</u>
Net right to use leased assets	<u>\$ 311,023</u>	<u>\$ 100,228</u>	<u>\$ -</u>	<u>\$ 411,251</u>

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

	Balance June 30, 2023	Additions	Payments	Balance June 30, 2024	Due Within One Year
Leases	\$ 415,890	\$ -	\$ (136,161)	\$ 279,729	\$ 124,598
	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Leases	<u>\$ 315,987</u>	<u>\$ 257,865</u>	<u>\$ (157,962)</u>	<u>\$ 415,890</u>	<u>\$ 138,993</u>

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Remaining principal and interest payments on leases are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 124,598	\$ 12,881
2026	108,675	6,772
2027	44,045	1,472
2028	2,411	57
Total	<u>\$ 279,729</u>	<u>\$ 21,182</u>

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

The Hospital has entered into two SBITA contracts for accounting software and electronic health record software. The Hospital is required to make principal and interest payments through May 2027. The SBITA contracts have interest rates between 4.0 % and 4.7%.

Right to use subscription IT additions, deletions, and balances for the years ended June 30, 2024 and 2023, are as follows:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Retirements / Transfers</u>	<u>Balance June 30, 2024</u>
Subscription IT asset	\$ 700,034	\$ -	\$ -	\$ 700,034
Less accumulated depreciation	(146,553)	(146,553)	-	(293,106)
Net Subscription IT assets	<u>\$ 553,481</u>	<u>\$ (146,553)</u>	<u>\$ -</u>	<u>\$ 406,928</u>
	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Retirements / Transfers</u>	<u>Balance June 30, 2023</u>
Subscription IT asset	\$ 700,034	\$ -	\$ -	\$ 700,034
Less accumulated depreciation	-	(146,553)	-	(146,553)
Net Subscription IT assets	<u>\$ 700,034</u>	<u>\$ (146,553)</u>	<u>\$ -</u>	<u>\$ 553,481</u>

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June 30, 2024 and 2023

A summary of the changes in subscription IT liabilities during the years ended June 30, 2024 and 2023 is as follows:

	Balance June 30, 2023	Additions	Payments	Balance June 30, 2024	Due Within One Year
Subscription IT Liabilities	\$ 564,941	\$ -	\$ (140,950)	\$ 423,991	\$ 147,062
	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
Subscription IT Liabilities	\$ 700,034	\$ -	\$ (135,093)	\$ 564,941	\$ 140,950

Remaining principal and interest payments on subscriptions are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 147,062	\$ 15,082
2026	153,442	8,702
2027	123,487	2,316
Total	\$ 423,991	\$ 26,100

Note 8 - Defined Contribution Plan

The Hospital has a defined contribution pension plan 403(b) covering 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 a third-party administrator. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the Hospital's Board of Trustees. Employee contributions to the plan fully vest at the date of contribution. Contributions made by the Hospital are made on a discretionary basis. The Hospital did not make any contributions for the years ended June 30, 2024 and 2023.

Note 9 - Supplemental Hospital Offset Payment Program

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds for the state of Oklahoma from federal sources. The SHOPP is currently set to sunset on December 31, 2025. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. 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.

The Hospital records payments to administrative services expense and receipts from SHOPP as a reduction in contractual adjustments. The Hospital made SHOPP payments totaling approximately \$336,000 for the year ended June 30, 2024. In return, the Authority received approximately \$685,000 during 2024. The Hospital made SHOPP payments totaling approximately \$291,000 for the year ended June 30, 2023. In return, the Hospital received approximately \$385,000 during 2023. SHOPP is expected to be significantly reduced in fiscal year 2025 due to the State of Oklahoma's shift to managed care Medicaid. In August 2023, the Hospital received \$237,000 as a result of a funding provision in Oklahoma Senate Bill 32x for Hospitals participating in the SHOPP program, which is reported in net patient service revenue on the statement of revenues, expenses and changes in net position. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

Note 10 - Unrestricted City Appropriations

Effective October 1, 1999, the citizens of the City 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 City collects the sales tax and remits it to the Hospital monthly.

On June 30, 2020, the Authority issued Sales Tax Revenue Bonds, Series 2020 for the purpose of providing funds that, together with the City's legally available funds, were utilized to construct, furnish, and equip a municipal hospital for the City, which was placed in service in November 2022. The bonds are secured by the sales tax under the Hospital Ordinance, a Capital Expenditure Ordinance that levied an additional 1% of sales tax for capital expenditures for the use and benefit of the City and funds available under the Use Tax Ordinance of the City.

As part of the bond indenture, the City and Authority entered into a Sales Tax Agreement dated June 1, 2020. Under this agreement, the sales tax proceeds that were previously distributed to the Hospital are deposited into an account established in the General Fund of the City, maintained by the Bond Trustee, and restricted for payment of the bonds. During June 30, 2024 and 2023, the Hospital received appropriations of \$1,190,162 and \$1,250,000 from the City to assist with the operational cash needs of the Hospital.

Note 11 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, many of whom are insured under third-party payor agreements. The mix of patient accounts receivable at June 30, 2024 and 2023 was as follows:

	2024	2023
Medicare	33%	20%
Medicaid	9%	4%
Commercial insurance and other	26%	28%
Patients (self pay)	32%	48%
	<u>100%</u>	<u>100%</u>

Note 12 - Contingencies

Risk Management

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

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$125,000 per claim and an annual aggregate limit of \$1 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

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

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

Note 13 - Subsequent Events

The Hospital evaluated subsequent events through October 28, 2024, the date at which the financial statements were available to be issued.



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

Board of Trustees
Purcell Municipal Hospital
A Component Unit of the Purcell Public Works Authority
Purcell, 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 Purcell Municipal Hospital (Hospital), a component unit of the Purcell Public Works Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated October 28, 2024.

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 opinions 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 Hospital'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a significant deficiency.

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*.

The Hospital's Response to Findings

Government Auditing Standards requires 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 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 Purcell Municipal Hospital'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 Purcell Municipal Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oklahoma City, Oklahoma
October 28, 2024

Findings Related To Financial Statements – Internal Controls over Financial Reporting

Significant Deficiencies:

2024-001 Preparation of Financial Statements

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

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

Effect: The preparation of financial statements as part of the audit engagement may result in financial statements and related information not being available for management purposes as timely as it would be if prepared by Hospital personnel.

Cause: This condition was caused by the Board of Trustees' and management's determination that it would take undue expense and effort to provide for a system that prepares the financial statements in accordance with GAAP.

Auditor's Recommendation: While the preparation of financial statements by an outside party is not unusual for an organization of your size, the need for material adjustments should require consideration of the controls and processes over the areas identified. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with a deficiency in preparation of financial statements because of cost or other considerations.

Management Response: Management agrees with the finding. The Board of Trustees has taken into consideration the expense of hiring additional accounting personnel for the accurate reporting of the financial statements and feels that the cost does not justify the benefit. Management has adjusted its methodology for calculating accounts receivable allowances.