

# **The Weatherford Hospital Authority**

Independent Auditor's Reports and Financial Statements

September 30, 2021 and 2020

**The Weatherford Hospital Authority**  
**September 30, 2021 and 2020**

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## Independent Auditor's Report

Board of Trustees  
The Weatherford Hospital Authority  
Weatherford, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of The Weatherford Hospital Authority (the Authority), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

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 also have issued our report dated April 5, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

***BKD, LLP***

Tulsa, Oklahoma  
April 5, 2022

# The Weatherford Hospital Authority

## Balance Sheets

September 30, 2021 and 2020

### Assets

	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,080,404	\$ 5,436,519
Short-term certificates of deposit	5,714,677	2,877,650
Patient accounts receivable, net of allowance; 2021 – \$1,770,661, 2020 – \$1,856,947	2,655,321	2,305,731
Supplies	270,072	240,514
Prepaid expenses and other	458,214	302,005
Notes receivable – current	117,193	98,955
	<u>10,295,881</u>	<u>11,261,374</u>
<b>Total current assets</b>		
	<u>10,295,881</u>	<u>11,261,374</u>
<b>Noncurrent Cash and Investments</b>		
Restricted by trustee for debt service	480,000	480,000
Restricted for future construction	84,919	141,713
Unrestricted	-	798,658
	<u>564,919</u>	<u>1,420,371</u>
<b>Total noncurrent cash and investments</b>		
	<u>564,919</u>	<u>1,420,371</u>
<b>Capital Assets, Net</b>	<u>8,837,230</u>	<u>7,957,692</u>
<b>Notes Receivable</b>	<u>339,912</u>	<u>484,893</u>
<b>Total assets</b>	<u>\$ 20,037,942</u>	<u>\$ 21,124,330</u>

## Liabilities and Net Position

	<u>2021</u>	<u>2020</u>
<b>Current Liabilities</b>		
Note payable to bank	\$ -	\$ 353,313
Current maturities of long-term debt	1,245,154	1,537,039
Accounts payable	749,685	938,545
Deferred revenue	1,145,705	3,822,082
Accrued expenses	610,319	494,538
Estimated amounts due to third-party payors – current	<u>2,355,549</u>	<u>715,456</u>
Total current liabilities	6,106,412	7,860,973
<b>Other Liabilities</b>		
Estimated amounts due to third-party payors – noncurrent	-	2,154,261
Long-term debt	<u>8,933,542</u>	<u>9,895,830</u>
Total liabilities	<u>15,039,954</u>	<u>19,911,064</u>
<b>Net Position</b>		
Net investment in capital assets	(1,341,466)	(1,984,274)
Restricted expendable for		
Debt service	480,000	480,000
Future construction	84,919	141,713
Unrestricted	<u>5,774,535</u>	<u>2,575,827</u>
Total net position	<u>4,997,988</u>	<u>1,213,266</u>
Total liabilities and net position	<u><u>\$ 20,037,942</u></u>	<u><u>\$ 21,124,330</u></u>

**The Weatherford Hospital Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2021 – \$3,251,928, 2020 – \$3,919,014	\$ 20,663,778	\$ 16,913,737
Other revenue	159,223	136,452
Total operating revenues	20,823,001	17,050,189
<b>Operating Expenses</b>		
Salaries and wages	7,652,223	6,531,613
Employee benefits	1,257,102	1,136,731
Depreciation	1,194,910	1,102,308
Professional fees and services	4,995,157	4,539,409
Supplies and other	6,292,011	5,105,739
Total operating expenses	21,391,403	18,415,800
<b>Operating Loss</b>	(568,402)	(1,365,611)
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	57,356	83,941
Interest expense	(274,022)	(282,097)
Forgiveness of debt	1,497,500	-
Noncapital grants and gifts	2,697,906	91,737
Total nonoperating revenues (expenses)	3,978,740	(106,419)
<b>Income (Loss) Before Capital Appropriations</b>	3,410,338	(1,472,030)
<b>Capital Appropriations – City of Weatherford</b>	374,384	36,932
<b>Increase (Decrease) in Net Position</b>	3,784,722	(1,435,098)
<b>Net Position, Beginning of Year</b>	1,213,266	2,648,364
<b>Net Position, End of Year</b>	\$ 4,997,988	\$ 1,213,266

**The Weatherford Hospital Authority**  
**Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 19,800,020	\$ 19,405,447
Payments to suppliers and contractors	(11,655,198)	(10,232,134)
Payments to and on behalf of employees	(8,694,590)	(7,426,501)
Other receipts (payments), net	185,657	138,814
Net cash provided by (used in) operating activities	(364,111)	1,885,626
<b>Cash Flows from Noncapital Financing Activities</b>		
Interest paid on line of credit	(10,925)	(24,213)
Principal paid on line of credit	(353,313)	(20,783)
Proceeds from issuance of PPP loan	-	1,497,500
Noncapital grants and gifts	21,529	3,913,819
Net cash provided by (used in) noncapital financing activities	(342,709)	5,366,323
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations – City of Weatherford	374,384	36,932
Proceeds from issuance of long-term debt	750,000	198,000
Principal paid on long-term debt	(506,673)	(406,468)
Interest paid on long-term debt	(263,097)	(257,884)
Proceeds from sale of capital assets	89,416	-
Purchase of capital assets	(2,196,895)	(739,551)
Net cash used in capital and related financing activities	(1,752,865)	(1,168,971)
<b>Cash Flows from Investing Activities</b>		
Income on investments	26,515	83,941
Purchase of investments	(2,500,000)	(2,000,000)
Payments received on notes receivable	27,789	-
Retirement of investments	492,472	144,857
Net cash used in investing activities	(1,953,224)	(1,771,202)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(4,412,909)	4,311,776
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,058,232	1,746,456
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,645,323	\$ 6,058,232



	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents	\$ 1,080,404	\$ 5,436,519
Noncurrent cash and investments		
Restricted by trustee for debt service	480,000	480,000
Restricted for future construction	<u>84,919</u>	<u>141,713</u>
Total cash and cash equivalents	<u>\$ 1,645,323</u>	<u>\$ 6,058,232</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in)</b>		
<b>Operating Activities</b>		
Operating loss	\$ (568,402)	\$ (1,365,611)
Depreciation	1,194,910	1,102,308
Loss on disposal of capital assets	26,434	2,362
Forgiveness of notes receivable	98,954	177,081
Provision for uncollectible accounts	3,251,928	3,919,014
Changes in operating assets and liabilities		
Patient accounts receivable	(3,601,518)	(4,117,021)
Estimated amounts due from and to third-party payors	(514,168)	2,689,717
Accounts payable and accrued expenses	(66,482)	(505,523)
Supplies	(29,558)	(3,662)
Prepaid expenses	<u>(156,209)</u>	<u>(13,039)</u>
Net cash provided by (used in) operating activities	<u>\$ (364,111)</u>	<u>\$ 1,885,626</u>
<b>Noncash Investing, Capital, and Financing Activities</b>		
Capital lease obligation incurred for capital assets	\$ -	\$ 3,990
Capital asset acquisitions included in accounts payable	\$ -	\$ 6,597
Forgiveness of PPP loan	\$ 1,497,500	\$ -

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

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

#### ***Nature of Operations and Reporting Entity***

The Weatherford Hospital Authority (the Authority) is a critical access hospital (CAH) located in Weatherford, Oklahoma. The Authority was created by a trust indenture dated July 30, 1968, as a public trust for the benefit of the City of Weatherford (the City) and the surrounding area. The Authority operates Weatherford Regional Hospital (the Hospital), which primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the City and the surrounding area. It also operates various outpatient clinics in the same geographic area.

Weatherford Regional Hospital, Inc. of Weatherford, Oklahoma (WRHI) is a corporation that was established July 11, 1960, but was inactive after establishment of the Authority. The Authority filed an amended Certificate of Incorporation on March 1, 2016, to re-establish WRHI in order to qualify for a loan with the United States Department of Agriculture (USDA). Effective June 30, 2020, WRHI is a nonprofit 501(c)(3) corporation; prior to that date, it was subject to income tax. WRHI is a separate legal entity but has substantially the same governing body as the Authority and is reported as a blended component unit of the Authority. WRHI does not issue separate financial statements.

#### ***Basis of Accounting and Presentation***

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally, city appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program-specific (such as city appropriations), investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

#### ***Use of Estimates***

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

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

### **Cash Equivalents**

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts.

### **Patient Accounts Receivable**

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

### **Supplies**

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

### **Investments and Investment Income**

Investments consist of non-negotiable certificates of deposit, which are carried at amortized cost. Investment income consists of interest income.

### **Capital Assets**

Capital assets in excess of \$5,000 are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Land improvements	10–25 years
Buildings and leasehold improvements	5–50 years
Equipment	3–25 years

### **Capital Asset Impairment**

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset's historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No impairment was recorded during the years ended September 30, 2021 or 2020.

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

### ***Compensated Absences***

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

### ***Net Position***

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

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

### ***Net Patient Service Revenue***

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

# **The Weatherford Hospital Authority**

## **Notes to Financial Statements**

### **September 30, 2021 and 2020**

#### ***Charity Care***

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

#### ***Income Taxes***

As an essential government function of the City, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. As of June 30, 2020, WRHI is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. Prior to June 30, 2020, WRHI was subject to income tax; however, no material tax liabilities were owed at September 30, 2020. The Authority and WRHI are subject to federal income tax on any unrelated business taxable income.

#### ***Supplemental Hospital Offset Payment Program***

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is currently scheduled to sunset on December 31, 2025. The SHOPP is designed to assess certain Oklahoma hospitals a supplemental hospital offset fee, which 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.

CAHs are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. During the years ended September 30, 2021 and 2020, the Authority received approximately \$1,106,000 and \$836,000, respectively, in SHOPP funds. SHOPP revenue is recorded as part of net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

The annual amounts to be received by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds.

#### ***Capital Appropriations – City of Weatherford***

Effective April 6, 2010, the citizens of the City approved a 1% sales tax for several major projects within the City. The Authority receives 5% of the 1% sales tax up to an aggregate amount of \$1,022,722. The Authority received approximately \$37,000 during the year ended September 30, 2020, and had received the full aggregate amount of \$1,022,722 at September 30, 2020. The City appropriated these amounts monthly to the Authority. The Authority reports these receipts as capital appropriations – City of Weatherford in the accompanying statements of revenues, expenses, and changes in net position in the year in which the sales tax is earned. These appropriations were restricted for the purchase of capital equipment.

# The Weatherford Hospital Authority

## Notes to Financial Statements

### September 30, 2021 and 2020

On June 30, 2020, the citizens of the City approved another 1% sales tax for several major projects within the City. The Authority receives 15% of the 1% sales tax up to an aggregate amount of \$3,750,000. The City appropriates these amounts monthly to the Authority. These appropriations are restricted for the purchase of capital equipment or the payment of debt. As this excise tax had an effective date of October 1, 2020, the Authority did not receive any revenue related to this ordinance during the year ended September 30, 2020. The Authority received approximately \$316,000 during the year ended September 30, 2021, and has recorded a receivable for \$58,000 for amounts earned but not yet received as of September 30, 2021. This tax expires in 2030.

#### **Revisions**

Certain immaterial revisions have been made to the 2020 balance sheet and *Note 7* to classify \$216,145 of notes payable to third parties that are due on demand as current liabilities. Additionally, an immaterial revision has been made to the 2020 statement of cash flows to properly classify \$138,814 of operating cash receipts from receipts from and on behalf of patients to other receipts (payments), net. These revisions did not have a significant impact on the financial statements.

#### **Note 2: Deposits and Investment Income**

##### ***Deposits***

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires all deposits for public trusts to be insured or collateralized.

At September 30, 2021 and 2020, approximately \$0 and \$1,372,000 of the Authority's bank balances of approximately \$7,305,000 and \$9,452,000, respectively, were exposed to custodial risk as uninsured and uncollateralized.

The above amounts exclude deposits held by WRHI with bank balances and carrying amounts of approximately \$480,000 at September 30, 2021 and 2020. As a nongovernmental entity, WRHI is not subject to collateralization requirements. At September 30, 2021 and 2020, WRHI's depository account exceeded federally insured limits by approximately \$230,000.

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

### Summary of Carrying Values

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

	<b>2021</b>	<b>2020</b>
Carrying value		
Deposits	\$ 7,360,000	\$ 9,734,540
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 1,080,404	\$ 5,436,519
Short-term certificates of deposit	5,714,677	2,877,650
Noncurrent cash and investments		
Restricted by trustee for debt service	480,000	480,000
Restricted for future construction	84,919	141,713
Unrestricted	-	798,658
	\$ 7,360,000	\$ 9,734,540

### Note 3: Patient Accounts Receivable

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

	<b>2021</b>	<b>2020</b>
Medicare	\$ 596,395	\$ 667,555
Medicaid	225,676	119,592
Other third-party payors	1,309,583	1,005,400
Patients	2,294,328	2,370,131
	4,425,982	4,162,678
Less allowance for uncollectible accounts	1,770,661	1,856,947
	\$ 2,655,321	\$ 2,305,731

**The Weatherford Hospital Authority**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 4: Capital Assets**

Capital assets activity for the years ended September 30 was:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>2021</b>					
Land	\$ 873,001	\$ -	\$ (20,042)	\$ -	\$ 852,959
Land improvements	160,652	-	(14,029)	-	146,623
Buildings and leasehold improvements	15,919,472	20,908	(1,477,057)	-	14,463,323
Equipment	12,348,757	1,733,854	(4,609,236)	-	9,473,375
Construction in progress	8,039	435,536	(8,025)	-	435,550
	<u>29,309,921</u>	<u>2,190,298</u>	<u>(6,128,389)</u>	<u>-</u>	<u>25,371,830</u>
Less accumulated depreciation					
Land improvements	128,340	6,624	(14,029)	-	120,935
Buildings and leasehold improvements	10,591,593	561,693	(1,477,056)	-	9,676,230
Equipment	10,632,296	626,593	(4,521,454)	-	6,737,435
	<u>21,352,229</u>	<u>1,194,910</u>	<u>(6,012,539)</u>	<u>-</u>	<u>16,534,600</u>
Capital assets, net	<u>\$ 7,957,692</u>	<u>\$ 995,388</u>	<u>\$ (115,850)</u>	<u>\$ -</u>	<u>\$ 8,837,230</u>
<b>2020</b>					
Land	\$ 873,001	\$ -	\$ -	\$ -	\$ 873,001
Land improvements	160,652	-	-	-	160,652
Buildings and leasehold improvements	15,890,013	29,459	-	-	15,919,472
Equipment	12,059,787	556,598	(267,628)	-	12,348,757
Construction in progress	8,039	-	-	-	8,039
	<u>28,991,492</u>	<u>586,057</u>	<u>(267,628)</u>	<u>-</u>	<u>29,309,921</u>
Less accumulated depreciation					
Land improvements	121,716	6,624	-	-	128,340
Buildings and leasehold improvements	10,033,514	558,079	-	-	10,591,593
Equipment	10,359,957	537,605	(265,266)	-	10,632,296
	<u>20,515,187</u>	<u>1,102,308</u>	<u>(265,266)</u>	<u>-</u>	<u>21,352,229</u>
Capital assets, net	<u>\$ 8,476,305</u>	<u>\$ (516,251)</u>	<u>\$ (2,362)</u>	<u>\$ -</u>	<u>\$ 7,957,692</u>



# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

### Note 5: Notes Receivable

The Authority issues notes to physicians as part of its recruitment process. Notes are repayable starting 36 months after the note is received or immediately if the agreement is terminated. The notes are then amortized over a 36-month period and are issued with a 2.0% interest rate. Amortization expense is included in purchased services and professional fees in the accompanying statements of revenues, expenses, and changes in net position. The notes are issued with forgiveness provisions over the life of the note to encourage retention. Based on historical analysis, it is anticipated that the balance of the notes will be forgiven. At September 30, 2021 and 2020, notes receivable from physicians totaled \$457,105 and \$583,848, respectively.

In April 2020, one physician left, and the Authority ceased forgiveness of the related note receivable. During fiscal year 2021, the physician agreed to make monthly payments of \$3,000, covering both principal and interest, until the balance of the note is repaid.

The balance of payments scheduled to be received or forgiven are as follows for the years ending September 30:

2022	\$	117,193
2023		21,809
2024		22,754
2025		23,740
2026		24,769
Thereafter		<u>246,840</u>
	\$	<u>457,105</u>

### Note 6: Notes Payable to Bank

The Authority has a \$500,000 revolving line of credit for general operations. The line of credit has been renewed through June 2022. The line is collateralized by the Authority's accounts receivable. The line of credit bears interest at the prime rate plus 1.55% with a floor of 4.80% at September 30, 2021, and is payable monthly. The line is due on demand. Activity for the years ended September 30 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 353,313	\$ 374,096
Additions	-	-
Deductions	<u>353,313</u>	<u>20,783</u>
Ending balance	<u>\$ -</u>	<u>\$ 353,313</u>

The Authority also has unused letters of credit totaling \$8,250,000 expiring in varying amounts from December 2021 through June 2022.

**The Weatherford Hospital Authority**  
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**Note 7: Long-Term Obligations**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>2021</b>					
Long-term debt					
USDA notes payable	\$ 9,456,702	\$ -	\$ (319,196)	\$ 9,137,506	\$ 264,325
Notes payable – third party	319,854	750,000	(136,630)	933,224	933,224
Capital lease obligations	158,813	-	(50,847)	107,966	47,605
PPP loan	1,497,500	-	(1,497,500)	-	-
	<u>\$ 11,432,869</u>	<u>\$ 750,000</u>	<u>\$ (2,004,173)</u>	<u>\$ 10,178,696</u>	<u>\$ 1,245,154</u>
Total long-term debt					
<b>2020</b>					
Long-term debt					
USDA notes payable	\$ 9,706,677	\$ -	\$ (249,975)	\$ 9,456,702	\$ 256,800
Notes payable – third party	198,845	198,000	(76,991)	319,854	319,854
Capital lease obligations	234,325	3,990	(79,502)	158,813	50,847
PPP loan	-	1,497,500	-	1,497,500	909,538
	<u>\$ 10,139,847</u>	<u>\$ 1,699,490</u>	<u>\$ (406,468)</u>	<u>\$ 11,432,869</u>	<u>\$ 1,537,039</u>
Total long-term debt					

**USDA Notes Payable**

The USDA notes payable consist of two notes issued in June 2017, secured by WRHI’s real and personal assets and the Authority’s revenues from hospital operations. These notes are payable in aggregated monthly installments of \$39,873, including interest at 2.375% through maturity in June 2047. In the event of default, outstanding amounts become immediately due.

**Notes Payable – Third Party**

The Authority’s notes payable are with a third party. The first note is payable in monthly installments of \$5,080, including interest at 4% through maturity in March 2023. The note is secured by certain equipment and oncology drugs. This note is due on demand.

The Authority entered into three other notes payable agreements with the same third party during the year ended September 30, 2020. All three notes are payable in monthly installments of \$4,450 in total, including interest at 4% through maturity in March 2024. The notes are secured by certain equipment. These notes are due on demand.

The Authority entered into one note payable agreement with the same third party during the year ended September 30, 2021. This note is payable in monthly installments of \$9,740, including interest at 2.5% through maturity in May 2028. The note is secured by certain equipment and is due on demand.

# The Weatherford Hospital Authority

## Notes to Financial Statements

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### **Paycheck Protection Program Loan**

The *Coronavirus Aid, Relief, and Economic Security Act* (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 Paycheck Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Authority received a PPP loan of \$1,497,500 in April 2020. The loan had an interest rate of 1%, with payments of \$84,275 due monthly starting six months after the receipt of the loan.

The Authority accounted for the PPP loan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62. Interest was accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan was included on the accompanying balance sheets as long-term debt in accordance with the terms of the PPP loan agreement through September 30, 2020.

In December 2020, the Authority received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as forgiveness of debt on the accompanying statements of revenues, expenses, and changes in net position.

### **Debt Service Requirements**

Debt service requirements on long-term debt other than capital lease obligations as of September 30, 2021, based on no demand being made on the notes payable – third party, are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 472,375	\$ 237,617	\$ 709,992
2023	454,914	224,594	679,508
2024	408,913	213,289	622,202
2025	391,729	203,650	595,379
2026	401,273	194,107	595,380
2027–2031	1,751,910	535,306	2,287,216
2032–2036	1,757,918	634,462	2,392,380
2037–2041	1,979,352	413,028	2,392,380
2042–2046	2,228,666	163,714	2,392,380
2047–2051	223,680	1,162	224,842
	<u>\$ 10,070,730</u>	<u>\$ 2,820,929</u>	<u>\$ 12,891,659</u>

**The Weatherford Hospital Authority**  
**Notes to Financial Statements**  
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**Capital Lease Obligations**

The Authority is obligated under leases for equipment that are accounted for as capital leases. The capital leases are secured by the related assets as collateral. Property and equipment include the following under capital leases at September 30:

	<b>2021</b>	<b>2020</b>
Equipment	\$ 398,455	\$ 398,455
Less accumulated depreciation	(304,465)	(259,465)
	<u>\$ 93,990</u>	<u>\$ 138,990</u>

The following is a schedule by year of future minimum lease payments under capital leases, including interest at rates of 5.5% to 7.3% together with the present value of the future minimum lease payments, as of September 30, 2021:

<b>Year Ending September 30,</b>		
2022	\$	54,000
2023		54,000
2024		9,184
Total minimum lease payments		117,184
Less amount representing interest		(9,218)
Present value of future minimum lease payments	<u>\$</u>	<u>107,966</u>

**Note 8: Medical Malpractice Claims**

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Authority's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 9: Operating Leases**

Noncancelable operating leases for clinic space and equipment expire in various years through 2025. These leases generally contain renewal options and require the Authority to pay all executory costs. Total rent expense for the years ended September 30, 2021 and 2020, was approximately \$474,000 and \$471,000, respectively.

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

### Note 10: Net Patient Service Revenue

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

- **Medicare** – The Authority is reimbursed based on a cost reimbursement methodology for inpatient and outpatient services provided to Medicare patients as a CAH. The Authority is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's Medicare cost reports have been audited by the Medicare administrative contractor through September 30, 2019.
- **Medicaid** – The Authority is reimbursed for services rendered to patients covered by the state Medicaid program at prospectively determined rates per discharge and fee schedules with no retroactive adjustments. The 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 50% and 45% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2021 and 2020, 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 11: Charity Care

The cost of charity care provided under the Authority's charity care policy was approximately \$72,000 and \$95,000 for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges from the Authority's most recently filed cost report.

### Note 12: Defined Contribution Plan

The Authority contributes to a defined contribution pension plan covering substantially all employees who have more than 1,000 hours of service and are at least 21 years of age. Pension expense is recorded for the amount of the Authority's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Authority's Board of Trustees.

The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. Contribution rates for plan members and the Authority

# The Weatherford Hospital Authority

## Notes to Financial Statements

### September 30, 2021 and 2020

expressed as a percentage of covered payroll were 3% and 2%, respectively, for both 2021 and 2020. Contributions made by plan members and the Authority aggregated approximately \$195,000 and \$108,000, respectively, during 2021. Contributions made by plan members and the Authority aggregated approximately \$203,000 and \$103,000, respectively, during 2020.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Authority contributions based on elapsed time of credible service with the Authority.

#### **Note 13: Related-Party Transactions**

Weatherford Regional Hospital Foundation (the Foundation) is a nonprofit organization that raises funds to secure and expend financial aid for the operation and maintenance of the Authority. The Foundation is not included in the accompanying financial statements. The Authority did not receive any contributions from the Foundation for the years ended September 30, 2021 and 2020.

The Authority has a working relationship with SSM Health Care of Oklahoma, Inc., an Oklahoma nonprofit corporation that owns and operates St. Anthony Hospital (the Manager). On April 1, 2018, the Authority entered into a contract with the Manager to provide management services to the Authority beginning April 1, 2018, over a three-year term. This contract was renewed on April 1, 2021, for an additional two-year term. The Manager provides the Authority with an executive team consisting of the chief executive officer, chief financial officer, chief nursing officer, and human resources director on a full-time basis. The Authority reimburses the Manager for compensation, including salaries and employee benefits, for the executive team plus a 3% and 2% markup under the old and new contract, respectively.

Under the old contract, the Authority also paid the Manager a Consumer Price Index-adjusted management fee ranging from \$15,000 to \$30,000 per month based on profitability. Fees totaling approximately \$687,000 and \$187,000 were paid for executive team compensation and monthly management fees, respectively, during the year ended September 30, 2020.

Under the new contract, the Authority pays the Manager a management fee calculated as 1.5% of net patient service revenue (defined as gross revenue minus contractual adjustments as reflected on the cost report at Worksheet G-3, Line 3.00) and is based on the most recent cost report filed and accepted by CMS prior to the effective date of the agreement and will be adjusted annually upon the filing and CMS acceptance of subsequent cost reports. The management fee is payable in 12 equal monthly installments. Fees totaling approximately \$600,000 and \$221,000 were paid for executive team compensation and monthly management fees, respectively, during the year ended September 30, 2021. At September 30, 2021 and 2020, the Authority owed the Manager approximately \$95,000 and \$103,000, respectively, in management fees and other costs.

#### **Note 14: Contingencies**

##### ***Medical Malpractice Claims***

Estimates related to the accrual for medical malpractice claims, if any, are described in *Note 8*.

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

### **General Litigation**

The Authority is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net position, and cash flows of the Authority. Events could occur that would cause this estimate to change materially in the near term.

### **Note 15: COVID-19 Pandemic and CARES Act Funding**

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

The Authority has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Implementation of targeted cost reduction initiatives
- Reduction of certain planned projects and capital expenditures

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

Because of these and other uncertainties, the Authority cannot estimate the length or severity of the effect of the pandemic on the Authority's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

### **Provider Relief Fund**

During the years ended September 30, 2021 and 2020, the Authority received approximately \$0 and \$3,822,000, respectively, of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Authority 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 Weatherford Hospital Authority

## Notes to Financial Statements

### September 30, 2021 and 2020

Subsequent to year-end, the Authority received an additional approximately \$937,000 in Provider Relief Fund distributions.

The Authority 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 Authority's operating revenues and expenses through September 30, 2021, the Authority recognized revenue of approximately \$2,676,000 and \$0 related to the Provider Relief Fund for the years ended September 30, 2021 and 2020, respectively. The unrecognized amount of Provider Relief Fund distributions is recorded as deferred revenue in the accompanying balance sheets.

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

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

During the year ended September 30, 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care 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 health care 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%. As of September 30, 2021, CMS had recouped approximately \$504,000 of the \$2,800,000 accelerated Medicare payments received during the year ended September 30, 2020. The unapplied amount of accelerated Medicare payment requests is recorded in estimated amounts due to third-party payors in the accompanying balance sheets.

#### **Note 16: Future Change in Accounting Principles**

##### ***Accounting for Leases***

With the issuance of GASB Statement No. 87, *Leases*, GASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both an intangible asset and a liability. GASB 87



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removes the classification of leases between two categories, and all leases will be recorded the same on the statement of revenues, expenses, and changes in net position. GASB 87 also contains amended guidance regarding the identification of lease and non-lease components in an arrangement. GASB 87 is effective for the Authority's fiscal year ending September 30, 2022. The Authority is evaluating the impact GASB 87 will have on the financial statements; however, GASB 87 is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

**Note 17: Condensed Combining Information**

The following tables include condensed combining balance sheet information for the Authority and WRHI, its blended component unit, as of September 30:

	<b>2021</b>			
	<b>Authority</b>	<b>WRHI</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Current assets	\$ 10,295,881	\$ -	\$ -	\$ 10,295,881
Capital assets	8,837,230	-	-	8,837,230
Other assets	424,831	480,000	-	904,831
<b>Total assets</b>	<b>\$ 19,557,942</b>	<b>\$ 480,000</b>	<b>\$ -</b>	<b>\$ 20,037,942</b>
<b>Liabilities</b>				
Current liabilities	\$ 5,842,087	\$ 264,325	\$ -	\$ 6,106,412
Long-term debt, less current maturities	60,361	8,873,181	-	8,933,542
<b>Total liabilities</b>	<b>5,902,448</b>	<b>9,137,506</b>	<b>-</b>	<b>15,039,954</b>
<b>Net position</b>				
Net investment in capital assets	7,796,040	(9,137,506)	-	(1,341,466)
Restricted	84,919	480,000	-	564,919
Unrestricted	5,774,535	-	-	5,774,535
<b>Total net position</b>	<b>13,655,494</b>	<b>(8,657,506)</b>	<b>-</b>	<b>4,997,988</b>
<b>Total liabilities and net position</b>	<b>\$ 19,557,942</b>	<b>\$ 480,000</b>	<b>\$ -</b>	<b>\$ 20,037,942</b>

**The Weatherford Hospital Authority**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

	<b>2020</b>			<b>Total</b>
	<b>Authority</b>	<b>WRHI</b>	<b>Eliminations</b>	
<b>Assets</b>				
Current assets	\$ 11,261,374	\$ -	\$ -	\$ 11,261,374
Capital assets	7,957,692	-	-	7,957,692
Other assets	1,425,264	480,000	-	1,905,264
	<u>10,644,330</u>	<u>480,000</u>	<u>-</u>	<u>11,124,330</u>
Total assets	<u>\$ 20,644,330</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 21,124,330</u>
<b>Liabilities</b>				
Current liabilities	\$ 7,381,392	\$ 479,581	\$ -	\$ 7,860,973
Long-term debt, less current maturities	912,073	8,983,757	-	9,895,830
Other noncurrent liabilities	2,154,261	-	-	2,154,261
	<u>10,447,726</u>	<u>9,463,338</u>	<u>-</u>	<u>19,911,064</u>
<b>Net position</b>				
Net investment in capital assets	7,479,064	(9,463,338)	-	(1,984,274)
Restricted	141,713	480,000	-	621,713
Unrestricted	2,575,827	-	-	2,575,827
	<u>10,196,604</u>	<u>(8,983,338)</u>	<u>-</u>	<u>1,213,266</u>
Total net position	<u>10,196,604</u>	<u>(8,983,338)</u>	<u>-</u>	<u>1,213,266</u>
Total liabilities and net position	<u>\$ 20,644,330</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 21,124,330</u>

**The Weatherford Hospital Authority**  
**Notes to Financial Statements**  
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The following tables include condensed combining statement of revenues, expenses, and changes in net position information for the Authority and WRHI, its blended component unit, for the years ended September 30:

	<b>2021</b>			<b>Total</b>
	<b>Authority</b>	<b>WRHI</b>	<b>Eliminations</b>	
Operating revenues				
Net patient service revenue	\$ 20,663,778	\$ -	\$ -	\$ 20,663,778
Other operating revenue	<u>159,223</u>	<u>-</u>	<u>-</u>	<u>159,223</u>
Total operating revenues	<u>20,823,001</u>	<u>-</u>	<u>-</u>	<u>20,823,001</u>
Operating expenses				
Other operating expenses	20,196,493	-	-	20,196,493
Depreciation	<u>1,168,589</u>	<u>26,321</u>	<u>-</u>	<u>1,194,910</u>
Total operating expenses	<u>21,365,082</u>	<u>26,321</u>	<u>-</u>	<u>21,391,403</u>
Operating loss	(542,081)	(26,321)	-	(568,402)
Nonoperating revenues (expenses)	<u>4,199,178</u>	<u>(220,438)</u>	<u>-</u>	<u>3,978,740</u>
Excess (deficiency) of revenues over expenses	3,657,097	(246,759)	-	3,410,338
Capital contributions/ appropriations	374,384	-	-	374,384
Transfers	<u>(572,591)</u>	<u>572,591</u>	<u>-</u>	<u>-</u>
Change in net position	3,458,890	325,832	-	3,784,722
Net position, beginning of year	<u>10,196,604</u>	<u>(8,983,338)</u>	<u>-</u>	<u>1,213,266</u>
Net position, end of year	<u>\$ 13,655,494</u>	<u>\$ (8,657,506)</u>	<u>\$ -</u>	<u>\$ 4,997,988</u>

**The Weatherford Hospital Authority**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

	<b>2020</b>			<b>Total</b>
	<b>Authority</b>	<b>WRHI</b>	<b>Eliminations</b>	
Operating revenues				
Net patient service revenue	\$ 16,913,737	\$ -	\$ -	\$ 16,913,737
Other operating revenue	136,452	-	-	136,452
Total operating revenues	<u>17,050,189</u>	<u>-</u>	<u>-</u>	<u>17,050,189</u>
Operating expenses				
Other operating expenses	17,313,492	-	-	17,313,492
Depreciation	1,068,415	33,893	-	1,102,308
Total operating expenses	<u>18,381,907</u>	<u>33,893</u>	<u>-</u>	<u>18,415,800</u>
Operating loss	(1,331,718)	(33,893)	-	(1,365,611)
Nonoperating revenues (expenses)	<u>122,728</u>	<u>(229,147)</u>	<u>-</u>	<u>(106,419)</u>
Deficiency of revenues over expenses	(1,208,990)	(263,040)	-	(1,472,030)
Capital contributions/ appropriations	36,932	-	-	36,932
Transfers	<u>(547,503)</u>	<u>547,503</u>	<u>-</u>	<u>-</u>
Change in net position	(1,719,561)	284,463	-	(1,435,098)
Net position, beginning of year	<u>11,916,165</u>	<u>(9,267,801)</u>	<u>-</u>	<u>2,648,364</u>
Net position, end of year	<u><u>\$ 10,196,604</u></u>	<u><u>\$ (8,983,338)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,213,266</u></u>

# The Weatherford Hospital Authority

## Notes to Financial Statements

September 30, 2021 and 2020

The following tables include condensed combining statement of cash flows information for the Authority and WRHI, its blended component unit, for the years ended September 30:

	<b>2021</b>			
	<b>Authority</b>	<b>WRHI</b>	<b>Eliminations</b>	<b>Total</b>
Net cash used in operating activities	\$ (364,111)	\$ -	\$ -	\$ (364,111)
Net cash used in noncapital financing activities	(342,709)	-	-	(342,709)
Net cash used in capital and related financing activities	(1,752,865)	-	-	(1,752,865)
Net cash used in investing activities	<u>(1,953,224)</u>	<u>-</u>	<u>-</u>	<u>(1,953,224)</u>
Net change in cash and cash equivalents	(4,412,909)	-	-	(4,412,909)
Cash and cash equivalents, beginning of year	<u>5,578,232</u>	<u>480,000</u>	<u>-</u>	<u>6,058,232</u>
Cash and cash equivalents, end of year	<u>\$ 1,165,323</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 1,645,323</u>
	<b>2020</b>			
	<b>Authority</b>	<b>WRHI</b>	<b>Eliminations</b>	<b>Total</b>
Net cash provided by operating activities	\$ 1,885,626	\$ -	\$ -	\$ 1,885,626
Net cash provided by noncapital financing activities	5,366,323	-	-	5,366,323
Net cash used in capital and related financing activities	(1,168,971)	-	-	(1,168,971)
Net cash used in investing activities	<u>(1,771,202)</u>	<u>-</u>	<u>-</u>	<u>(1,771,202)</u>
Net change in cash and cash equivalents	4,311,776	-	-	4,311,776
Cash and cash equivalents, beginning of year	<u>1,266,456</u>	<u>480,000</u>	<u>-</u>	<u>1,746,456</u>
Cash and cash equivalents, end of year	<u>\$ 5,578,232</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 6,058,232</u>

**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  
The Weatherford Hospital Authority  
Weatherford, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Weatherford Hospital Authority (the Authority), which comprise the balance sheet as of September 30, 2021, 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 April 5, 2022. Our report contained an *Other Matter* paragraph regarding the omission of the management's discussion and analysis, which is required supplementary information.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-01, that we consider to be a material weakness.

Board of Trustees  
The Weatherford Hospital Authority

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***The Authority's Response to the Finding***

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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.

**BKD, LLP**

Tulsa, Oklahoma  
April 5, 2022

**The Weatherford Hospital Authority**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2021**

<b>Reference Number</b>	<b>Finding</b>
2021-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Authority’s chief financial officer has incompatible duties in the cash inflows and cash outflows transactions cycles.</p> <p>Effect – Potentially material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Duties in the cash inflows and cash outflows transactions cycles are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>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.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost-beneficial within the next year.</p>