The Weatherford Hospital Authority

Independent Auditor's Reports and Financial Statements

September 30, 2022

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Contents

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Independent Auditor's Report

Board of Trustees
The Weatherford Hospital Authority
Weatherford, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Weatherford Hospital Authority (the Authority) as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2022 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on October 1, 2021, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Management has omitted 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

FORVIS, LLP

Tulsa, Oklahoma
March 28, 2023

The Weatherford Hospital Authority
Balance Sheet
September 30, 2022

Assets

Current Assets	
Cash and cash equivalents	$ 984,501
Short-term certificates of deposit	1,905,327
Patient accounts receivable, net of allowance – $2,333,543	2,782,757
Supplies	346,345
Prepaid expenses and other	661,171
Notes receivable – current	21,809
Total current assets	6,701,910
Noncurrent Cash and Investments	
Restricted by trustee for debt service	480,000
Restricted for future construction	321,978
Unrestricted certificates of deposit	824,677
Total noncurrent cash and investments	1,626,655
Capital Assets, Net	8,573,432
Notes Receivable	322,016
Total assets	$ 17,224,013

Liabilities and Net Position

Current Liabilities	
Current maturities of long-term debt	$ 996,167
Current maturities of leases payable	83,611
Accounts payable	1,370,851
Accrued expenses	622,264
Estimated amounts due to third-party payors – current	293,931
Total current liabilities	3,366,824
Noncurrent Liabilities	
Long-term debt	8,588,928
Leases payable	171,225
Total noncurrent liabilities	8,760,153
Total liabilities	12,126,977
Net Position	
Net investment in capital assets	(1,266,499)
Restricted expendable for	
Debt service	480,000
Future construction	416,496
Unrestricted	5,467,039
Total net position	5,097,036
Total liabilities and net position	$ 17,224,013

The Weatherford Hospital Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2022

Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts – $2,215,499	$ 20,365,254
Other revenue	196,326
Total operating revenues	20,561,580
Operating Expenses	
Salaries and wages	7,716,857
Employee benefits	1,172,996
Depreciation and amortization	1,370,857
Professional fees and services	5,585,258
Supplies and other	6,077,383
Total operating expenses	21,923,351
Operating Loss	(1,361,771)
Nonoperating Revenues (Expenses)	
Investment income	49,328
Interest expense	(237,639)
Noncapital grants and gifts	1,209,648
Total nonoperating revenues (expenses)	1,021,337
Loss Before Capital Appropriations	(340,434)
Capital Appropriations – City of Weatherford	421,517
Increase in Net Position	81,083
Net Position, Beginning of Year, as Previously Reported	4,997,988
Adjustment applicable to prior years (*Note 1*)	17,965
Net Position, Beginning of Year, as Restated	5,015,953
Net Position, End of Year	$ 5,097,036

The Weatherford Hospital Authority
Statement of Cash Flows
Year Ended September 30, 2022

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	$ 18,176,200
Payments to suppliers and contractors	(8,781,618)
Payments to and on behalf of employees	(11,320,705)
Other receipts, net	205,233
Net cash used in operating activities	(1,720,890)
Cash Flows from Noncapital Financing Activities	
Repayment of PRF grant funds	(1,145,705)
Noncapital grants and gifts	1,209,648
Net cash provided by noncapital financing activities	63,943
Cash Flows from Capital and Related Financing Activities	
Capital appropriations – City of Weatherford	421,517
Principal paid on long-term debt and leases	(568,637)
Interest paid on long-term debt	(237,639)
Purchase of capital assets	(868,129)
Net cash used in capital and related financing activities	(1,252,888)
Cash Flows from Investing Activities	
Income on investments	29,585
Payments received on notes receivable	16,990
Retirement of investments	3,004,416
Net cash provided by investing activities	3,050,991
Increase in Cash and Cash Equivalents	141,156
Cash and Cash Equivalents, Beginning of Year	1,165,323
Cash and Cash Equivalents, End of Year	$ 1,306,479

Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Cash and cash equivalents	$	984,501
Noncurrent cash and investments		
Restricted for future construction		321,978
Total cash and cash equivalents	$	1,306,479
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$	(1,361,771)
Depreciation and amortization		1,370,857
Loss on disposal of capital assets		8,907
Forgiveness of notes receivable		96,290
Provision for uncollectible accounts		2,215,499
Changes in operating assets and liabilities		
Patient accounts receivable		(2,342,935)
Estimated amounts due from and to third-party payors		(2,061,618)
Accounts payable and accrued expenses		633,111
Supplies		(76,273)
Prepaid expenses		(202,957)
Net cash used in operating activities	$	(1,720,890)
Noncash Investing, Capital, and Financing Activities		
Lease obligation incurred for capital assets	$	169,789

The Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2022

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.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2022, 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.

Lease Assets

Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term less any lease incentives received from the lessor at or before the commencement of the lease term, and 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

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. The following estimated useful lives are being used by the Authority:

Land improvements	10–25 years
Building improvements	5–50 years
Equipment	3–25 years

Capital and Lease Asset Impairment

The Authority evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital or lease 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 year ended September 30, 2022.

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 sheet:

- Net investment in capital and lease assets consists of capital and lease assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase, lease liabilities, or construction of those assets.

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

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, 2022. 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 year ended September 30, 2022, the Authority received approximately $1,284,000 in SHOPP funds. SHOPP revenue is recorded as part of net patient service revenue in the accompanying statement 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

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. The Authority received approximately $327,000 during the year ended September 30, 2022 and has recorded a receivable for $94,518 for amounts earned but not yet received as of September 30, 2022. This tax expires in 2030.

New Accounting Pronouncements Adopted in Fiscal Year 2022

On October 1, 2021, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 87 by clarifying the definition of a lease term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term leases, variable payments, and lease incentives.

The Authority recorded the cumulative effect of adopting GASB 87 and GASB 99, which resulted in recognizing activity associated with lessee agreements. The effect of the adoption resulted in a change to previously reported net position of $17,965.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued several new accounting pronouncements that will be effective for the Authority in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on standards established in GASB 87. GASB 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 96 by clarifying the definition of the SBITA term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term SBITAs and the remeasurement of a subscription liability.

Authority management is currently evaluating the impact these new standards will have on its financial statements.

Revision

A revision has been made to the beginning balance of cash and cash equivalents on the statement of cash flows to exclude a $480,000 long-term certificate of deposit that was incorrectly included in the ending balance of cash and cash equivalents at September 30, 2021. This revision did not have a significant impact on the financial statements and had no impact on previously reported balance sheets or statements of revenues, expenses, and changes in net position.

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, 2022, none of the Authority's bank balances of approximately $4,036,000 was 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, 2022. As a nongovernmental entity, WRHI is not subject to collateralization requirements. At September 30, 2022, WRHI's depository account exceeded federally insured limits by approximately $230,000.

Summary of Carrying Values

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

Carrying value	
Deposits	$ 4,516,483
Included in the following balance sheet captions	
Cash and cash equivalents	$ 984,501
Short-term certificates of deposit	1,905,327
Noncurrent cash and investments	
Restricted by trustee for debt service	480,000
Restricted for future construction	321,978
Unrestricted certificates of deposit	824,677
	$ 4,516,483

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2022

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, 2022 consisted of:

Medicare	$ 442,296
Medicaid	360,337
Other third-party payors	1,322,407
Patients	2,991,260
	5,116,300
Less allowance for uncollectible accounts	2,333,543
	$ 2,782,757

Note 4: Capital and Lease Assets

Capital and lease assets activity for the year ended September 30, 2022 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Land	$ 852,959	$ -	$ -	$ -	$ 852,959
Land improvements	146,623	-	-	-	146,623
Buildings and leasehold improvements	14,463,323	-	-	43,785	14,507,108
Equipment	9,248,375	446,014	(1,141,314)	737,605	9,290,680
Construction in progress	435,550	422,111	-	(781,390)	76,271
Lease assets	168,048	169,789	-	-	337,837
	25,314,878	1,037,914	(1,141,314)	-	25,211,478
Less accumulated depreciation and amortization					
Land improvements	120,935	5,867	-	-	126,802
Buildings and leasehold improvements	9,676,230	539,958	-	-	10,216,188
Equipment	6,602,435	742,864	(1,132,411)	-	6,212,888
Lease assets	-	82,168	-	-	82,168
	16,399,600	1,370,857	(1,132,411)	-	16,638,046
Capital and lease assets, net	$ 8,915,278	$ (332,943)	$ (8,903)	$ -	$ 8,573,432

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 professional fees and services in the accompanying statement of revenues, expenses, and changes in net position. The notes are issued with forgiveness provisions over the life of the note to encourage retention.

In April 2020, one physician left, and the Authority ceased forgiveness of the related note receivable. The physician agreed to make monthly payments of $3,000, covering both principal and interest, until the balance of the note is repaid. As of September 30, 2022, this is the only remaining note receivable for the Authority.

The balance of payments scheduled to be received is as follows at September 30, 2022:

2023	$	21,809
2024		22,754
2025		23,740
2026		24,769
2027		25,843
Thereafter		224,910
	$	343,825

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 2023. The line is collateralized by the Authority's accounts receivable. The line of credit bears interest at the prime rate plus 1.15% with a floor of 5.90% at September 30, 2022 and is payable monthly. The line is due on demand. There was no activity on the line of credit for the year ended September 30, 2022.

The Authority also has unused letters of credit totaling $5,250,000 expiring in varying amounts from December 2022 through June 2023.

Note 7: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the year ended September 30, 2022:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
USDA notes payable	$ 9,137,552	$ -	$ (277,634)	$ 8,859,918	$ 270,990
Notes payable – third party	933,224	-	(208,047)	725,177	725,177
Lease liability	168,003	169,789	(82,956)	254,836	83,611
Total long-term obligations	$ 10,238,779	$ 169,789	$ (568,637)	$ 9,839,931	$ 1,079,778

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. The Authority is required to maintain certain amounts as reserve funds under these agreements, and those amounts are included in restricted by trustee for debt service on the accompanying balance sheet.

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 and is due on demand. The note matured subsequent to year-end.

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 and 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.

Debt Service Requirements

Debt service requirements on long-term obligations other than lease liabilities as of September 30, 2022, based on no demand being made on the notes payable – third party, are as follows:

Year Ending September 30,	Principal	Interest	Total
2023	$ 455,231	$ 224,276	$ 679,507
2024	409,243	212,963	622,206
2025	392,063	203,316	595,379
2026	401,614	193,765	595,379
2027	411,397	183,981	595,378
2028–2032	1,677,836	792,478	2,470,314
2033–2037	1,802,251	590,129	2,392,380
2038–2042	2,029,258	363,122	2,392,380
2043–2047	2,006,202	109,169	2,115,371
	$ 9,585,095	$ 2,873,199	$ 12,458,294

Note 8: Leases

Lease Liabilities

The Authority leases various equipment, the terms of which expire in various years through 2028. Variable payments based upon future performance of the lessee or usage of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended September 30, 2022, the Authority had no rental expense for variable payments (residual value guarantees or termination penalties) not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2022:

Year Ending September 30,	Total to be Paid	Principal	Interest
2023	$ 90,844	$ 83,611	$ 7,233
2024	45,844	42,086	3,758
2025	36,843	34,007	2,836
2026	36,843	34,867	1,976
2027	36,843	35,749	1,094
2028	24,745	24,516	229
	$ 271,962	$ 254,836	$ 17,126

Note 9: Medical Malpractice Claims

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

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, 2020.
- **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 49% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended September 30, 2022. 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 $5,000 for 2022. 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 expressed as a percentage of covered payroll were 3% and 1%, respectively, for 2022. Contributions made by plan members and the Authority during 2022 aggregated approximately $214,000 and $104,000, respectively.

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 year ended September 30, 2022.

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% markup under the existing contract. The Authority also reimbursed the Manager for compensation, including salary and benefits, of a physician through July 2022 at which time the physician became employed by the Authority.

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 based on the most recent cost report filed and accepted by CMS prior to the effective date of the agreement and 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 $770,000 and $234,000 were paid for executive, physician, and other team compensation and monthly management fees, respectively, during the year ended September 30, 2022. At September 30, 2022, the Authority owed the Manager approximately $212,000 and $52,000 in compensation expense and management fees, respectively, for services received during fiscal year 2022.

Additionally, during the year ended September 30, 2022, the Authority paid approximately $737,000 to the Manager related to its medical record software conversion. Of the $737,000 paid, approximately $91,000 related to training costs and is included in supplies and other expense in the accompanying statement of revenues, expenses, and changes in net position and approximately $646,000 is included in capital assets, net in the accompanying balance sheet.

Note 14: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims, if any, are described in *Note 9*.

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 sheet, 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 Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. The Authority has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business. 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.

PRF and ARPA Rural Payments

During the year ended September 30, 2022, the Authority received approximately $937,000 of distributions from the Provider Relief Fund (PRF) and *American Rescue Plan Act of 2021* (ARPA)

Rural Payments fund. These distributions from the PRF and ARPA Rural Payments 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 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 PRF and ARPA Rural Payments fund and the effect of the pandemic on the Authority's operating revenues and expenses through September 30, 2022, the Authority recognized revenue of approximately $937,000 related to the PRF and ARPA Rural Payments fund for the year ended September 30, 2022.

The Authority received approximately $3,822,000 during the year ended September 30, 2020. After completion of required reporting to the Health Resources and Services Administration for that period, approximately $1,146,000 of these PRF payments was repaid during the year ended September 30, 2022.

The Authority will continue to monitor compliance with the terms and conditions of the PRF and ARPA Rural Payments fund and the effect of the pandemic on the Authority's revenues and expenses. The terms and conditions governing the PRF and ARPA Rural Payments 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. PRF and ARPA Rural Payments 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 healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%. As of September 30, 2022, CMS had recouped all but approximately $444,000 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 sheet.

Note 16: Condensed Combining Information

The following table includes condensed combining balance sheet information for the Authority and WRHI, its blended component unit, as of September 30, 2022:

	Authority	WRHI	Eliminations	Total
Assets				
Current assets	$ 6,701,910	$ -	$ -	$ 6,701,910
Capital assets	8,573,432	-	-	8,573,432
Other assets	1,468,671	480,000	-	1,948,671
Total assets	$ 16,744,013	$ 480,000	$ -	$ 17,224,013
Liabilities				
Current liabilities	$ 3,095,834	$ 270,990	$ -	$ 3,366,824
Long-term debt and leases payable, less current maturities	171,225	8,588,928	-	8,760,153
Total liabilities	3,267,059	8,859,918	-	12,126,977
Net position				
Net investment in capital assets	7,593,419	(8,859,918)	-	(1,266,499)
Restricted	416,496	480,000	-	896,496
Unrestricted	5,467,039	-	-	5,467,039
Total net position	13,476,954	(8,379,918)	-	5,097,036
Total liabilities and net position	$ 16,744,013	$ 480,000	$ -	$ 17,224,013

The Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2022

The following table includes condensed combining statement of revenues, expenses, and changes in net position information for the Authority and WRHI, its blended component unit, for the year ended September 30, 2022:

	Authority	WRHI	Eliminations	Total
Operating revenues				
Net patient service revenue	$ 20,365,254	$ -	$ -	$ 20,365,254
Other operating revenue	196,326	-	-	196,326
Total operating revenues	20,561,580	-	-	20,561,580
Operating expenses				
Other operating expenses	20,552,494	-	-	20,552,494
Depreciation and amortization	1,370,857	-	-	1,370,857
Total operating expenses	21,923,351	-	-	21,923,351
Operating loss	(1,361,771)	-	-	(1,361,771)
Nonoperating revenues (expenses)	1,222,321	(200,984)	-	1,021,337
Excess (deficiency) of revenues over expenses	(139,450)	(200,984)	-	(340,434)
Capital contributions/ appropriations	421,517	-	-	421,517
Transfers	(478,572)	478,572	-	-
Increase (decrease) in net position	(196,505)	277,588	-	81,083
Net position, beginning of year, as previously reported	13,655,494	(8,657,506)	-	4,997,988
Adjustment applicable to prior years (*Note 1*)	17,965	-	-	17,965
Net position, beginning of year, as restated	13,673,459	(8,657,506)	-	5,015,953
Net position, end of year	$ 13,476,954	$ (8,379,918)	$ -	$ 5,097,036

The following table includes condensed combining statement of cash flows information for the Authority and WRHI, its blended component unit, for the year ended September 30, 2022:

	Authority	WRHI	Eliminations	Total
Net cash used in operating activities	$ (1,720,890)	$ -	$ -	$ (1,720,890)
Net cash provided by noncapital financing activities	63,943	-	-	63,943
Net cash used in capital and related financing activities	(1,252,888)	-	-	(1,252,888)
Net cash provided by investing activities	3,050,991	-	-	3,050,991
Increase in cash and cash equivalents	141,156	-	-	141,156
Cash and cash equivalents, beginning of year	1,165,323	-	-	1,165,323
Cash and cash equivalents, end of year	$ 1,306,479	$ -	$ -	$ 1,306,479

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

Independent Auditor's Report

Board of Trustees
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 (*Government Auditing Standards*), the financial statements of The Weatherford Hospital Authority (the Authority), which comprise the Authority's balance sheet as of September 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 28, 2023. Our report contained an *Emphasis of Matter* paragraph regarding a change in accounting principles and an *Other Matter* paragraph regarding the omission of required supplementary information.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-01, that we consider to be a material weakness.

Board of Trustees
The Weatherford Hospital Authority

Report on Compliance and Other Matters

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

The Authority's Response to the Finding

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

Purpose of This Report

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

FORVIS, LLP

Tulsa, Oklahoma
March 28, 2023

The Weatherford Hospital Authority
Schedule of Findings and Responses
Year Ended September 30, 2022

Reference Number	Finding
2022-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – The Authority's chief financial officer has incompatible duties in the information technology, cash inflows, and cash outflows transactions cycles. 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. Cause – Duties in the information technology, cash inflows, and cash outflows transactions cycles are not adequately segregated, and monitoring or other compensating controls are insufficient. Recommendation – Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs. 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.