

The Weatherford Hospital Authority

Independent Auditor's Reports and Financial Statements

September 30, 2020 and 2019



The Weatherford Hospital Authority
September 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 March 29, 2021, 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
March 29, 2021

The Weatherford Hospital Authority

Balance Sheets

September 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 5,436,519	\$ 918,018
Short-term certificates of deposit	2,877,650	1,821,165
Patient accounts receivable, net of allowance; 2020 – \$1,856,947, 2019 – \$2,059,260	2,305,731	2,107,724
Supplies	240,514	236,852
Prepaid expenses and other	302,005	288,966
Notes receivable – current	<u>98,955</u>	<u>255,571</u>
Total current assets	<u>11,261,374</u>	<u>5,628,296</u>
Noncurrent Cash and Investments		
Restricted by trustee for debt service	480,000	480,000
Restricted for future construction	141,713	348,438
Unrestricted	<u>798,658</u>	<u>-</u>
Total noncurrent cash and investments	<u>1,420,371</u>	<u>828,438</u>
Capital Assets, Net	<u>7,957,692</u>	<u>8,476,305</u>
Notes Receivable	<u>484,893</u>	<u>505,358</u>
Total assets	<u>\$ 21,124,330</u>	<u>\$ 15,438,397</u>

Liabilities and Net Position

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Note payable to bank	\$ 353,313	\$ 374,096
Current maturities of long-term debt	1,320,894	528,187
Accounts payable	938,545	1,666,314
Deferred revenue	3,822,082	-
Accrued expenses	494,538	429,776
Estimated amounts due to third-party payors – current	<u>715,456</u>	<u>180,000</u>
Total current liabilities	<u>7,644,828</u>	<u>3,178,373</u>
Other Liabilities		
Estimated amounts due to third-party payors – noncurrent	2,154,261	-
Long-term debt	<u>10,111,975</u>	<u>9,611,660</u>
Total liabilities	<u>19,911,064</u>	<u>12,790,033</u>
Net Position		
Net investment in capital assets	(1,984,274)	(1,827,623)
Restricted expendable for		
Debt service	480,000	480,000
Future construction	141,713	348,438
Unrestricted	<u>2,575,827</u>	<u>3,647,549</u>
Total net position	<u>1,213,266</u>	<u>2,648,364</u>
Total liabilities and net position	<u><u>\$ 21,124,330</u></u>	<u><u>\$ 15,438,397</u></u>

The Weatherford Hospital Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 – \$3,919,014, 2019 – \$4,344,546	\$ 16,913,737	\$ 17,036,801
Other revenue	136,452	160,402
Total operating revenues	17,050,189	17,197,203
Operating Expenses		
Salaries and wages	6,531,613	6,399,296
Employee benefits	1,136,731	1,135,221
Depreciation	1,102,308	1,058,041
Professional fees and services	4,539,409	4,272,941
Supplies and other	5,105,739	4,679,427
Total operating expenses	18,415,800	17,544,926
Operating Loss	(1,365,611)	(347,723)
Nonoperating Revenues (Expenses)		
Investment income	83,941	45,952
Interest expense	(282,097)	(293,974)
Noncapital grants and gifts	91,737	7,566
Total nonoperating revenues (expenses)	(106,419)	(240,456)
Loss Before Capital Contributions and Capital Appropriations	(1,472,030)	(588,179)
Capital grants and gifts	-	84,726
Capital appropriations – City of Weatherford	36,932	123,693
Total capital contributions and capital appropriations	36,932	208,419
Decrease in Net Position	(1,435,098)	(379,760)
Net Position, Beginning of Year	2,648,364	3,028,124
Net Position, End of Year	\$ 1,213,266	\$ 2,648,364

The Weatherford Hospital Authority
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from and on behalf of patients	\$ 19,541,899	\$ 17,658,824
Payments to suppliers and contractors	(10,229,772)	(9,583,357)
Payments to and on behalf of employees	(7,426,501)	(7,552,962)
	<u>1,885,626</u>	<u>522,505</u>
Noncapital Financing Activities		
Interest paid on line of credit	(24,213)	(26,007)
Principal paid on line of credit	(20,783)	-
Proceeds from issuance of PPP loan	1,497,500	-
Noncapital grants and gifts	3,913,819	7,566
	<u>5,366,323</u>	<u>(18,441)</u>
Capital and Related Financing Activities		
Capital grants and gifts	-	84,726
Capital appropriations – City of Weatherford	36,932	123,693
Proceeds from issuance of long-term debt	198,000	225,000
Principal paid on long-term debt	(406,468)	(454,689)
Interest paid on long-term debt	(257,884)	(267,967)
Purchase of capital assets	(739,551)	(675,006)
	<u>(1,168,971)</u>	<u>(964,243)</u>
Investing Activities		
Income on investments	83,941	45,952
Purchase of investments	(2,000,000)	(27,765)
Issuance of notes receivable	-	(157,384)
Retirement of investments	144,857	-
	<u>(1,771,202)</u>	<u>(139,197)</u>
Increase (Decrease) in Cash and Cash Equivalents	4,311,776	(599,376)
Cash and Cash Equivalents, Beginning of Year	1,746,456	2,345,832
Cash and Cash Equivalents, End of Year	\$ 6,058,232	\$ 1,746,456
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 5,436,519	\$ 918,018
Noncurrent cash and investments		
Restricted by trustee for debt service	480,000	480,000
Restricted for future construction	141,713	348,438
	<u>6,058,232</u>	<u>1,746,456</u>
Total cash and cash equivalents	<u>\$ 6,058,232</u>	<u>\$ 1,746,456</u>

See Notes to Financial Statements

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (1,365,611)	\$ (347,723)
Depreciation	1,102,308	1,058,041
Impairment of capital assets	-	178,642
Loss on disposal of capital assets	2,362	-
Forgiveness of notes receivable	177,081	46,579
Provision for uncollectible accounts	3,919,014	4,344,546
Changes in operating assets and liabilities		
Patient accounts receivable	(4,117,021)	(3,795,894)
Estimated amounts due from and to third-party payors	2,689,717	(87,031)
Accounts payable and accrued expenses	(505,523)	(801,101)
Supplies	(3,662)	(5,372)
Prepaid expenses	(13,039)	(68,182)
	<u>\$ 1,885,626</u>	<u>\$ 522,505</u>
Noncash Investing, Capital, and Related Financing Activities		
Capital lease obligation incurred for capital assets	\$ 3,990	\$ 225,000
Forgiveness of notes receivable	\$ 177,081	\$ 46,579
Capital asset acquisitions included in accounts payable	\$ 6,597	\$ 164,081

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

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, 2020 and 2019

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020 and 2019, 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.

An impairment loss of \$178,642 was recognized during the year ended September 30, 2019, based on the abandonment of the old hospital building during the year. The loss is included in supplies and other in the accompanying statements of revenues, expenses, and changes in net position. The

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

loss was determined based on the service units approach. No impairment was recorded during the year ended September 30, 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.

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Notes to Financial Statements

September 30, 2020 and 2019

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 or 2019. 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, 2020 and 2019, the Authority received approximately \$836,000 and \$510,000, 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 and \$124,000 during the years ended September 30, 2020 and 2019, respectively, and had received the full aggregate amount of \$1,022,722 at September 30, 2020. The City appropriates 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 are restricted for the purchase of capital equipment.

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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 will appropriate 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 has 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. This tax expires in 2030.

Revisions

Certain immaterial revisions have been made to the 2019 related-party executive compensation amounts in *Note 13*. 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, 2020 and 2019, approximately \$1,372,000 and \$0 of the Authority's bank balances of approximately \$9,452,000 and \$3,184,000, 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, 2020 and 2019. As a nongovernmental entity, WRHI is not subject to collateralization requirements. At September 30, 2020 and 2019, WRHI's depository account exceeded federally insured limits by approximately \$230,000.

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

Summary of Carrying Values

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

	<u>2020</u>	<u>2019</u>
Carrying value		
Deposits	<u>\$ 9,734,540</u>	<u>\$ 3,567,621</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 5,436,519	\$ 918,018
Short-term certificates of deposit	2,877,650	1,821,165
Noncurrent cash and investments		
Restricted by trustee for debt service	480,000	480,000
Restricted for future construction	141,713	348,438
Unrestricted	<u>798,658</u>	<u>-</u>
	<u>\$ 9,734,540</u>	<u>\$ 3,567,621</u>

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:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 667,555	\$ 522,245
Medicaid	119,592	127,256
Other third-party payors	1,005,400	915,695
Patients	<u>2,370,131</u>	<u>2,601,788</u>
	4,162,678	4,166,984
Less allowance for uncollectible accounts	<u>1,856,947</u>	<u>2,059,260</u>
	<u>\$ 2,305,731</u>	<u>\$ 2,107,724</u>

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Notes to Financial Statements
September 30, 2020 and 2019

Note 4: Capital Assets

Capital assets activity for the years ended September 30 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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>
	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 873,001	\$ -	\$ -	\$ -	\$ 873,001
Land improvements	130,685	29,967	-	-	160,652
Buildings and leasehold improvements	15,786,801	-	(178,642)	281,854	15,890,013
Equipment	11,293,851	712,454	-	53,482	12,059,787
Construction in progress	21,708	321,667	-	(335,336)	8,039
	<u>28,106,046</u>	<u>1,064,088</u>	<u>(178,642)</u>	<u>-</u>	<u>28,991,492</u>
Less accumulated depreciation					
Land improvements	116,965	4,751	-	-	121,716
Buildings and leasehold improvements	9,474,667	558,847	-	-	10,033,514
Equipment	9,865,514	494,443	-	-	10,359,957
	<u>19,457,146</u>	<u>1,058,041</u>	<u>-</u>	<u>-</u>	<u>20,515,187</u>
Capital assets, net	<u>\$ 8,648,900</u>	<u>\$ 6,047</u>	<u>\$ (178,642)</u>	<u>\$ -</u>	<u>\$ 8,476,305</u>

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

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, 2020 and 2019, notes receivable from physicians totaled \$583,848 and \$760,929, respectively.

In April 2020, one physician left, and the Authority ceased forgiveness of the related note receivable. Subsequent to year-end, 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:

2021	\$	98,955
2022		109,053
2023		13,583
2024		14,457
2025		15,387
Thereafter		<u>332,413</u>
	\$	<u>583,848</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 12, 2021. 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 6.30% (6.30% and 6.55% at September 30, 2020 and 2019) and is payable monthly. The line is due on demand. Activity for the years ended September 30 is:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 374,096	\$ 374,096
Additions	-	-
Deductions	<u>20,783</u>	<u>-</u>
Ending balance	<u>\$ 353,313</u>	<u>\$ 374,096</u>

The Authority also has unused letters of credit totaling \$6,250,000 expiring in varying amounts from December 2020 through June 2021.

The Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2020 and 2019

Note 7: Long-Term Obligations

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

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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	103,709
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>\$ 1,320,894</u>
Total long-term debt					
	<u>\$ 10,139,847</u>	<u>\$ 1,699,490</u>	<u>\$ (406,468)</u>	<u>\$ 11,432,869</u>	<u>\$ 1,320,894</u>
	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
USDA notes payable	\$ 9,952,593	\$ -	\$ (245,916)	\$ 9,706,677	\$ 250,014
Note payable – third party	-	225,000	(26,155)	198,845	198,845
Capital lease obligations	191,943	225,000	(182,618)	234,325	79,328
	<u>\$ 10,144,536</u>	<u>\$ 450,000</u>	<u>\$ (454,689)</u>	<u>\$ 10,139,847</u>	<u>\$ 528,187</u>
Total long-term debt					
	<u>\$ 10,144,536</u>	<u>\$ 450,000</u>	<u>\$ (454,689)</u>	<u>\$ 10,139,847</u>	<u>\$ 528,187</u>

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 approximately \$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 Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2020 and 2019

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 has an interest rate of 1%, with payments of \$84,275 due monthly starting six months after the receipt of the loan. The loan, if not forgiven, matures on April 10, 2022.

The Authority is accounting for the PPP loan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62. Interest is 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 is included on the accompanying balance sheets as long-term debt in accordance with the term of the PPP loan agreement.

In December 2020, the Authority received legal notice that the PPP loan was forgiven in its entirety and recognized the associated revenue in fiscal year 2021.

Debt Service Requirements

Debt service requirements on long-term debt other than capital lease obligations as of September 30, 2020, based on no demand being made on the notes payable – third party, are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 1,270,047	\$ 249,913	\$ 1,519,960
2022	958,708	224,304	1,183,012
2023	350,819	211,888	562,707
2024	301,533	203,849	505,382
2025	282,187	196,289	478,476
2026–2030	1,515,365	877,015	2,392,380
2031–2035	1,706,312	686,068	2,392,380
2036–2040	1,921,111	471,269	2,392,380
2041–2045	2,163,539	228,841	2,392,380
2046–2050	804,435	17,352	821,787
	<u>\$ 11,274,056</u>	<u>\$ 3,366,788</u>	<u>\$ 14,640,844</u>

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 398,455	\$ 394,465
Less accumulated depreciation	<u>(259,465)</u>	<u>(173,998)</u>
	<u>\$ 138,990</u>	<u>\$ 220,467</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, 2020:

<u>Year ending September 30,</u>	
2021	\$ 60,646
2022	54,000
2023	54,000
2024	<u>9,184</u>
Total minimum lease payments	177,830
Less amount representing interest	<u>(19,017)</u>
Present value of future minimum lease payments	<u>\$ 158,813</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, 2020 and 2019, was approximately \$471,000 and \$479,000, respectively.

The Weatherford Hospital Authority
Notes to Financial Statements
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Future minimum lease payments at September 30, 2020, were approximately:

2021	\$	193,000
2022		45,000
2023		25,000
2024		3,000
2025		3,000
		3,000
Future minimum lease payments	\$	269,000

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, 2018.
- **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 45% and 50% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2020 and 2019, 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 \$95,000 and \$107,000 for 2020 and 2019, 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.

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

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 2%, respectively, for 2020 and 2019. Contributions made by plan members and the Authority aggregated approximately \$203,000 and \$103,000, respectively, during 2020. Contributions made by plan members and the Authority aggregated approximately \$224,000 and \$103,000, respectively, during 2019.

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

The accompanying financial statements of the Authority include contributions received from Weatherford Regional Hospital Foundation (the Foundation) in the amount of \$0 and \$65,996 for the years ended September 30, 2020 and 2019, respectively. The Foundation is a not-for-profit 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 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. 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. The Authority also pays 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. Fees totaling approximately \$592,000 and \$180,000 were paid for executive team compensation and monthly management fees, respectively, during the year ended September 30, 2019. At September 30, 2020 and 2019, the Authority owed the Manager approximately \$103,000 and \$324,000, respectively, in management fees and other costs.

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

Note 14: Contingencies

Medical Malpractice Claims

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

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.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Authority's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Authority has taken precautionary 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

In addition, the Authority received approximately \$2,800,000 of accelerated Medicare payments and approximately \$3,822,000 in general and targeted Provider Relief Fund distributions, both as provided for under the CARES Act.

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. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions,

The Weatherford Hospital Authority

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government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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 year ended September 30, 2020, the Authority received \$3,822,082 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 Authority is accounting for such payments as conditional contributions. 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, 2020, the Authority did not recognize any revenue related to the Provider Relief Fund. The unrecognized amount of Provider Relief Fund distributions is recorded as deferred revenue in the accompanying balance sheets.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The Authority considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at September 30, 2020. As a result, the amounts recorded in the financial statements compared to the Authority's Provider Relief Fund reporting could differ. This difference cannot be currently estimated but could be material.

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.

The Weatherford Hospital Authority

Notes to Financial Statements

September 30, 2020 and 2019

Medicare Accelerated and Advanced 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%.

During the year ended September 30, 2020, the Authority received approximately \$2,800,000 from these accelerated Medicare payment requests. 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 Changes in Accounting Principles

Fiduciary Activities

GASB recently issued Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying new fiduciary activities. The Authority expects to first apply GASB 84 during its fiscal year ending September 30, 2021, through retrospective application to previous years' statements for comparative purposes. The impact of applying GASB 84 has not yet been determined.

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 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.

The Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2020 and 2019

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:

	2020			
	Authority	WRHI	Eliminations	Total
Assets				
Current assets	\$ 11,261,374	\$ -	\$ -	\$ 11,261,374
Capital assets	7,957,692	-	-	7,957,692
Other assets	<u>1,425,264</u>	<u>480,000</u>	-	<u>1,905,264</u>
Total assets	<u>\$ 20,644,330</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 21,124,330</u>
Liabilities				
Current liabilities	\$ 7,381,392	\$ 263,436	\$ -	\$ 7,644,828
Long-term debt, less current maturities	912,073	9,199,902	-	10,111,975
Other noncurrent liabilities	<u>2,154,261</u>	<u>-</u>	<u>-</u>	<u>2,154,261</u>
Total liabilities	<u>10,447,726</u>	<u>9,463,338</u>	<u>-</u>	<u>19,911,064</u>
Net position				
Net investment in capital assets	7,479,064	(9,463,338)	-	(1,984,274)
Restricted	141,713	480,000	-	621,713
Unrestricted	<u>2,575,827</u>	<u>-</u>	<u>-</u>	<u>2,575,827</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

September 30, 2020 and 2019

	2019			Total
	Authority	WRHI	Eliminations	
Assets				
Current assets	\$ 5,628,296	\$ -	\$ -	\$ 5,628,296
Capital assets	8,476,305	-	-	8,476,305
Other assets	853,796	480,000	-	1,333,796
	<u>14,958,397</u>	<u>480,000</u>	<u>-</u>	<u>15,438,397</u>
Total assets	<u>\$ 14,958,397</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 15,438,397</u>
Liabilities				
Current liabilities	\$ 2,890,056	\$ 288,317	\$ -	\$ 3,178,373
Long-term debt, less current maturities	152,176	9,459,484	-	9,611,660
	<u>3,042,232</u>	<u>9,747,801</u>	<u>-</u>	<u>12,790,033</u>
Net position				
Net investment in capital assets	7,920,178	(9,747,801)	-	(1,827,623)
Restricted	348,438	480,000	-	828,438
Unrestricted	3,647,549	-	-	3,647,549
	<u>11,916,165</u>	<u>(9,267,801)</u>	<u>-</u>	<u>2,648,364</u>
Total net position	<u>11,916,165</u>	<u>(9,267,801)</u>	<u>-</u>	<u>2,648,364</u>
Total liabilities and net position	<u>\$ 14,958,397</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 15,438,397</u>

The Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2020 and 2019

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:

	2020			Total
	Authority	WRHI	Eliminations	
Operating revenues				
Net patient service revenue	\$ 16,913,737	\$ -	\$ -	\$ 16,913,737
Other operating revenue	<u>136,452</u>	<u>-</u>	<u>-</u>	<u>136,452</u>
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	<u>1,068,415</u>	<u>33,893</u>	<u>-</u>	<u>1,102,308</u>
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, 2020 and 2019

	2019			Total
	Authority	WRHI	Eliminations	
Operating revenues				
Net patient service revenue	\$ 17,036,801	\$ -	\$ -	\$ 17,036,801
Other operating revenue	160,402	-	-	160,402
Total operating revenues	<u>17,197,203</u>	<u>-</u>	<u>-</u>	<u>17,197,203</u>
Operating expenses				
Other operating expenses	16,486,885	-	-	16,486,885
Depreciation	1,024,148	33,893	-	1,058,041
Total operating expenses	<u>17,511,033</u>	<u>33,893</u>	<u>-</u>	<u>17,544,926</u>
Operating loss	(313,830)	(33,893)	-	(347,723)
Nonoperating expenses	<u>(3,403)</u>	<u>(237,053)</u>	<u>-</u>	<u>(240,456)</u>
Deficiency of revenues over expenses	(317,233)	(270,946)	-	(588,179)
Capital contributions/ appropriations	208,419	-	-	208,419
Transfers	<u>(513,520)</u>	<u>513,520</u>	<u>-</u>	<u>-</u>
Change in net position	(622,334)	242,574	-	(379,760)
Net position, beginning of year	<u>12,538,499</u>	<u>(9,510,375)</u>	<u>-</u>	<u>3,028,124</u>
Net position, end of year	<u>\$ 11,916,165</u>	<u>\$ (9,267,801)</u>	<u>\$ -</u>	<u>\$ 2,648,364</u>

The Weatherford Hospital Authority
Notes to Financial Statements
September 30, 2020 and 2019

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:

	2020			
	Authority	WRHI	Eliminations	Total
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><u>\$ 5,578,232</u></u>	<u><u>\$ 480,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,058,232</u></u>
	2019			
	Authority	WRHI	Eliminations	Total
Net cash provided by operating activities	\$ 522,505	\$ -	\$ -	\$ 522,505
Net cash used in noncapital financing activities	(18,441)	-	-	(18,441)
Net cash used in capital and related financing activities	(959,683)	(4,560)	-	(964,243)
Net cash used in investing activities	<u>(139,197)</u>	<u>-</u>	<u>-</u>	<u>(139,197)</u>
Net change in cash and cash equivalents	(594,816)	(4,560)	-	(599,376)
Cash and cash equivalents, beginning of year	<u>1,861,272</u>	<u>484,560</u>	<u>-</u>	<u>2,345,832</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,266,456</u></u>	<u><u>\$ 480,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,746,456</u></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, 2020, 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 29, 2021. 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 2020-01, 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
March 29, 2021

The Weatherford Hospital Authority
Schedule of Findings and Responses
Year Ended September 30, 2020

Reference Number	Finding
2020-01	<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, cash outflows, and payroll 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, cash outflows, and payroll 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>