

**Stillwater Medical Center Authority**  
**d/b/a Stillwater Medical Center**  
**A Component Unit of the City of Stillwater, Oklahoma**  
Independent Auditor's Reports and Financial Statements  
December 31, 2019 and 2018



**Stillwater Medical Center Authority**  
**d/b/a Stillwater Medical Center**  
**A Component Unit of the City of Stillwater, Oklahoma**  
**December 31, 2019 and 2018**

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## Independent Auditor's Report

Board of Trustees  
Stillwater Medical Center Authority  
d/b/a Stillwater Medical Center  
Stillwater, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of Stillwater Medical Center Authority d/b/a Stillwater Medical Center (the Authority), a component unit of the City of Stillwater, Oklahoma, as of and for the years ended December 31, 2019 and 2018, 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 did not audit the 2018 financial statements of SMC Equipment, Inc. (SMC Equipment), which represent 6% of the total assets and deferred outflows of resources and less than 1% of the net position as of December 31, 2018, and less than 1% of the operating revenues of the Authority for the year ended December 31, 2018. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for SMC Equipment, is based solely on the report of the other auditors. 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. The financial statements of SMC Equipment, a component unit, were not audited in accordance with *Government Auditing Standards*.

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, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Stillwater Medical Center Authority d/b/a Stillwater Medical Center as of December 31, 2019 and 2018, 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 August 25, 2020, on our consideration of the Authority's internal control over financial reporting and 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  
August 25, 2020

**Stillwater Medical Center Authority**  
**d/b/a Stillwater Medical Center**  
**A Component Unit of the City of Stillwater, Oklahoma**  
**Balance Sheets**  
**December 31, 2019 and 2018**

**Assets and Deferred Outflows of Resources**

	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 32,634,755	\$ 23,973,994
Short-term investments	27,500,962	25,029,136
Restricted cash and investments – current	78,871	1,707,511
Patient accounts receivable, net of allowance; 2019 – \$3,989,000, 2018 – \$4,702,000	29,064,036	25,861,089
Supplies	6,519,998	5,389,683
Estimated amounts due from third-party payors	-	285,000
Prepaid expenses and other	6,996,078	3,032,911
	<u>102,794,700</u>	<u>85,279,324</u>
<b>Noncurrent Cash and Investments</b>		
Held by trustee for debt service	-	1,624,226
Held by trustee for specific operating activities	300,000	300,000
Held by trustee for specific capital acquisition	28,524,797	31,473,232
	<u>28,824,797</u>	<u>33,397,458</u>
Less amount required to meet current obligations	78,871	1,707,511
	<u>28,745,926</u>	<u>31,689,947</u>
Other long-term investments	36,777,028	24,214,228
	<u>65,522,954</u>	<u>55,904,175</u>
	<u>135,607,465</u>	<u>105,140,940</u>
<b>Capital Assets, Net</b>		
<b>Other Assets</b>		
Investments in joint ventures	9,082,433	8,668,284
Other	33,913,035	11,662,036
	<u>42,995,468</u>	<u>20,330,320</u>
	<u>6,656,630</u>	<u>4,971,371</u>
<b>Deferred Outflows of Resources</b>		
	<u>\$ 353,577,217</u>	<u>\$ 271,626,130</u>

## Liabilities and Net Position

	<u>2019</u>	<u>2018</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 9,333,599	\$ 9,537,269
Accounts payable	11,207,720	7,069,563
Accrued expenses	12,465,641	10,370,880
Estimated amounts due to third-party payors	<u>655,000</u>	<u>-</u>
Total current liabilities	33,661,960	26,977,712
<b>Long-Term Debt</b>	<u>75,180,655</u>	<u>38,002,302</u>
Total liabilities	<u>108,842,615</u>	<u>64,980,014</u>
<b>Net Position</b>		
Net investment in capital assets	78,163,805	86,620,153
Restricted – expendable for		
Debt service	-	1,596,263
Specific operating activities	300,000	300,000
Restricted – nonexpendable	7,769,383	-
Unrestricted	<u>158,501,414</u>	<u>118,129,700</u>
Total net position	<u>244,734,602</u>	<u>206,646,116</u>
Total liabilities and net position	<u>\$ 353,577,217</u>	<u>\$ 271,626,130</u>

**Stillwater Medical Center Authority**  
**d/b/a Stillwater Medical Center**  
**A Component Unit of the City of Stillwater, Oklahoma**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2019 – \$23,909,551, 2018 – \$18,240,145	\$ 230,697,313	\$ 202,909,391
Gain on investment in joint venture	-	1,952,838
Other	4,253,799	4,046,253
	<u>234,951,112</u>	<u>208,908,482</u>
<b>Operating Expenses</b>		
Salaries and wages	94,273,722	79,926,083
Employee benefits	24,298,596	19,227,745
Purchased services and professional fees	24,221,776	20,907,738
Supplies and other expenses	61,612,036	59,509,423
Depreciation and amortization	11,640,524	10,218,352
Loss on sale of capital assets	3,596	165,725
	<u>216,050,250</u>	<u>189,955,066</u>
	<u>18,900,862</u>	<u>18,953,416</u>
<b>Operating Income</b>		
<b>Nonoperating Revenues (Expenses)</b>		
Noncapital grants and gifts	20,903	333,284
Gain on investments in joint ventures	3,663,704	392,266
Investment return	9,095,240	(2,138,317)
Interest expense and financing costs	(1,172,793)	(846,569)
	<u>11,607,054</u>	<u>(2,259,336)</u>
<b>Income Before Capital Gifts and Distributions</b>	30,507,916	16,694,080
<b>Capital Gifts</b>	24,119	1,515,451
<b>Distributions from Minority Owners, Net</b>	<u>7,556,451</u>	<u>-</u>
<b>Increase in Net Position</b>	38,088,486	18,209,531
<b>Net Position, Beginning of Year</b>	<u>206,646,116</u>	<u>188,436,585</u>
<b>Net Position, End of Year</b>	<u>\$ 244,734,602</u>	<u>\$ 206,646,116</u>

**Stillwater Medical Center Authority**  
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**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 228,585,743	\$ 201,918,178
Payments to suppliers and contractors	(86,691,076)	(82,269,404)
Payments to employees	(116,438,084)	(99,124,530)
Other receipts and payments, net	<u>5,039,431</u>	<u>5,505,776</u>
Net cash provided by operating activities	<u>30,496,014</u>	<u>26,030,020</u>
<b>Noncapital Financing Activities</b>		
Noncapital grants and gifts	<u>20,903</u>	<u>15,726</u>
Net cash provided by noncapital financing activities	<u>20,903</u>	<u>15,726</u>
<b>Capital and Related Financing Activities</b>		
Capital gifts	24,119	1,515,451
Proceeds from issuance of long-term debt	79,245,000	16,000,000
Payment of debt issuance costs	(1,125,304)	(159,137)
Proceeds from disposal of capital assets	-	102,305
Principal paid on long-term debt	(44,566,507)	(10,085,238)
Interest paid on long-term debt	(1,200,628)	(882,627)
Purchase of capital assets	(39,273,454)	(18,844,088)
Issuance of note receivable	<u>(21,189,000)</u>	<u>(10,758,400)</u>
Net cash used in capital and related financing activities	<u>(28,085,774)</u>	<u>(23,111,734)</u>
<b>Investing Activities</b>		
Purchases of restricted assets whose use is limited under bond agreements	(3,024,509)	(6,744,810)
Proceeds from disposition of restricted assets whose use is limited under bond agreements	4,648,735	7,021,439
Purchases of restricted assets whose use is limited for capital acquisitions	(48,541,585)	(28,395,356)
Proceeds from disposition of restricted assets whose use is limited for capital acquisitions	51,490,020	25,338,806
Purchases of investments	(51,025,153)	(7,570,234)
Proceeds from disposition of investments	41,158,145	18,516,460
Distributions from joint ventures	8,209,614	60,000
Cash acquired from transfer of Perry	-	373,990
Acquisition of Crossroads Clinic, net of cash acquired	(3,209,663)	-
Investment income received	7,074,907	2,489,884
Investments in equity investees	(250,000)	-

See Notes to Financial Statements



	<b>2019</b>	<b>2018</b>
Distributions to minority owners	\$ (300,893)	\$ -
Acquisition of SMI	-	(1,365,200)
Acquisition of Bushwood	-	(6,285,000)
	<hr/>	<hr/>
Net cash provided by investing activities	6,229,618	3,439,979
	<hr/>	<hr/>
<b>Increase in Cash and Cash Equivalents</b>	8,660,761	6,373,991
	<hr/>	<hr/>
<b>Cash and Cash Equivalents, Beginning of Year</b>	23,973,994	17,600,003
	<hr/>	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 32,634,755</u>	<u>\$ 23,973,994</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 18,900,862	\$ 18,953,416
Depreciation and amortization	11,640,524	10,218,352
Accrued self-insurance costs	22,962	(108,891)
Loss on sale of capital assets	3,596	165,725
Provision for uncollectible accounts	23,909,551	18,240,145
Changes in operating assets and liabilities		
Patient accounts receivable	(26,961,121)	(18,844,889)
Supplies, prepaid expenses and other assets	(5,037,137)	1,748,254
Estimated amounts due to/from third-party payors	940,000	(386,469)
Change in investments in joint ventures	-	(493,315)
Accounts payable and accrued expenses	7,076,777	(3,462,308)
	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ 30,496,014</u>	<u>\$ 26,030,020</u>
 <b>Noncash Investing, Capital and Financing Activities</b>		
Capital asset purchases in accounts payable	\$ 1,454,203	\$ 2,352,247
Capital lease obligations incurred for equipment	\$ 2,296,190	\$ 973,709
Capital asset contribution to SMC Development, Inc.	\$ 15,445,649	\$ -
Capital asset contribution to SMC RE, LLC	\$ 16,140,000	\$ -

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**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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

***Nature of Operations***

Stillwater Medical Center Authority d/b/a Stillwater Medical Center (the Authority) is a public trust and an agency of the state of Oklahoma. The Authority is a component unit of the City of Stillwater, Oklahoma (the City) as the Board of Commissioners of the City appoints the majority of the members of the Board of Trustees of the Authority. The Authority operates, as its sole activity, Stillwater Medical Center under the terms of a trust indenture originally dated December 14, 1971.

The Authority primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Stillwater, Oklahoma, and surrounding communities. The Authority also operates physician clinics, a rehabilitation unit and provides home health and hospice services in the same geographic area.

Effective April 1, 2018, the Authority entered into a lease agreement with Perry Memorial Hospital Authority (Perry Authority) to assume all operations of Perry Memorial Hospital (Perry), a 26-bed hospital located in Perry, Oklahoma. The initial lease term covers a period of five years. The lease also includes four additional five-year extension periods. Perry primarily earns revenues by providing inpatient, outpatient, emergency and home health services to patients in Perry, Oklahoma.

***Reporting Entity***

The accompanying financial statements include the accounts of the Authority and its blended component units, SMC Equipment, Inc. (SMC Equipment), SMC Development, Inc. (SMC Development) and SMC RE, LLC (SMC RE). All three entities are blended component units as they are entities for which the Authority is considered to be financially accountable.

SMC Equipment is a corporation organized in 2018 to lease various medical and facility equipment to the Authority. The Authority is the sole corporate member of SMC Equipment. Separate financial statements for SMC Equipment can be obtained by contacting the Authority's administrative office.

SMC Development, Inc. is a corporation organized in 2019 to own, hold and manage real and personal property. The Authority is the sole corporate member of SMC Development. Separate financial statements for SMC Development can be obtained by contacting the Authority's administrative office.

SMC RE, LLC is a limited liability company organized in 2019 to lease various medical facilities to the Authority. The Authority owned approximately 53% of SMC RE as of December 31, 2019. Separate financial statements for SMC RE can be obtained by contacting the Authority's administrative office.

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Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities; thus, the entity's blended component unit is appropriately presented as a fund of the primary government.

***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 deferred outflows of resources and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Noncapital grants and gifts that are not program-specific, investment income and interest on capital assets-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 deferred outflows of resources 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 and Cash Equivalents***

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

Included in restricted cash and investments – current on the accompanying balance sheets are money market mutual funds with brokers the Authority does not consider cash equivalents.

***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 other than those related to

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workers' compensation and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Authority is self-insured for a portion of its exposure to the risk of loss from workers' compensation and employee health claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

***Investments and Investment Return***

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and non-negotiable certificates of deposit are carried at amortized cost. The investments in joint ventures are reported on the cost and equity methods of accounting (see *Note 5* for additional information on the joint ventures). All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment return includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

***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, determined using the first-in, first-out (FIFO) method, or market.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. 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	8-20 years
Buildings and leasehold improvements	10-40 years
Equipment	3-20 years

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***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, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

***Deferred Outflows of Resources***

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

***Compensated Absences***

Authority policies permit most employees to accumulate paid time off 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 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.

***Net Position***

Net position of the Authority is classified in four components. 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. Restricted nonexpendable net position is made up of the minority interest in SMC RE. 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

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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. However, the Authority is subject to federal income tax on any unrelated business taxable income.

**Supplemental Hospital Offset Payment Program**

On January 17, 2012, the Centers for Medicare & Medicaid Services 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 Oklahoma hospitals a supplemental hospital offset fee that will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation.

During the years ended December 31, the Authority had the following activity related to the SHOPP:

	<b>2019</b>	<b>2018</b>
SHOPP funds received	\$ 5,096,000	\$ 5,419,000
SHOPP assessment fees paid	4,324,000	4,633,000
Net benefit under SHOPP	\$ 772,000	\$ 786,000

The annual amounts to be received and paid 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. Based on the current information available, the annual net benefit to the Authority over the remaining term of the SHOPP is expected to be consistent over the remaining term. SHOPP revenue is recorded as part of net patient service revenue and SHOPP assessment fees are recorded as part of other expenses on the accompanying statements of revenues, expenses and changes in net position.

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***Reclassifications***

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications had no effect on the changes in financial position.

**Note 2: 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** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Authority is reimbursed for certain services 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 Medicare administrative contractor has audited the Authority’s cost reports through December 31, 2015.
- **Medicaid** – The Authority has also been reimbursed for services rendered to patients covered by the state Medicaid program at prospectively determined rates per discharge and fee schedules with no retroactive adjustment. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Approximately 44% and 43% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2019 and 2018, 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.

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

**Note 3: Deposits, Investments and Investment Return**

***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 collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

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At December 31, 2019 and 2018, approximately \$1,391,000 and \$4,861,000 of the Authority's bank balances of approximately \$8,601,000 and \$16,713,000, respectively, were uninsured and uncollateralized.

The above amounts exclude deposits held by the Authority's blended component units with bank balances of approximately \$1,450,000 and \$41,000 and carrying values of approximately \$1,450,000 and \$41,000 at December 31, 2019 and 2018, respectively. As nongovernmental entities, the blended component units are not subject to collateralization requirements. At December 31, 2019 and 2018, the blended component units' cash accounts exceeded federally insured limits by approximately \$950,000 and \$0, respectively.

**Investments**

The Authority may invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest in corporate bonds and equity securities.

At December 31, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
<b>2019</b>					
Money market mutual funds	\$ 51,341,308	\$ 51,341,308	\$ -	\$ -	\$ -
Mutual funds – fixed income	32,535,028	-	25,101,764	7,433,264	-
Mutual funds – domestic equities	21,547,255	21,547,255	-	-	-
Mutual funds – international equities	5,641,277	5,641,277	-	-	-
Total investments	<u>\$ 111,064,868</u>	<u>\$ 78,529,840</u>	<u>\$ 25,101,764</u>	<u>\$ 7,433,264</u>	<u>\$ -</u>
<b>2018</b>					
U.S. Treasury obligations	\$ 69,687	\$ 69,687	\$ -	\$ -	\$ -
Money market mutual funds	41,939,747	41,939,747	-	-	-
Mutual funds – fixed income	24,214,227	-	16,365,689	7,848,538	-
Mutual funds – domestic equities	18,561,691	18,561,691	-	-	-
Mutual funds – international equities	6,207,583	6,207,583	-	-	-
Total investments	<u>\$ 90,992,935</u>	<u>\$ 66,778,708</u>	<u>\$ 16,365,689</u>	<u>\$ 7,848,538</u>	<u>\$ -</u>

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits its fixed income investment portfolio to an average overall portfolio duration no greater than 7.5 years. The money market mutual funds are



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presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year. Maturities of mutual funds – fixed income are presented based on the average maturity of the underlying securities in the fund.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority’s policy to limit its domestic fixed income investments to a credit rating of no less than investment grade and an overall weighted-average rating of A by Standard & Poor’s (S & P), Moody’s or Fitch.

At December 31, the Authority’s investments not directly guaranteed by the U.S. government were rated as follows:

Investments	Moody’s	S & P
<b>2019</b>		
Money market mutual funds	Aaa-mf	AAAm
Mutual funds	Not Rated	Not Rated
<b>2018</b>		
Money market mutual funds	Aaa-mf	AAAm
Mutual funds	Not Rated	Not Rated

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority’s investment policy does not address custodial credit risk.

**Concentration of Credit Risk** – The Authority limits exposure of the portfolio to any one issuer, other than the U.S. government or its agencies, to 10% of the market value of the fixed income portfolio and to 5% of the market value of the equity portfolio.

At December 31, 2019 and 2018, no investments exceeded 5% of the total fair value of all investments.

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**Summary of Carrying Values**

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

	<b>2019</b>	<b>2018</b>
Carrying value		
Deposits	\$ 14,672,674	\$ 15,621,881
Investments	<u>111,064,868</u>	<u>90,992,935</u>
	<u>\$ 125,737,542</u>	<u>\$ 106,614,816</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 32,634,755	\$ 23,973,994
Short-term investments	27,500,962	25,029,136
Restricted cash and investments – current	78,871	1,707,511
Noncurrent cash and investments, net	<u>65,522,954</u>	<u>55,904,175</u>
	<u>\$ 125,737,542</u>	<u>\$ 106,614,816</u>

**Investment Return**

Investment return for the years ended December 31 consisted of:

	<b>2019</b>	<b>2018</b>
Interest, dividends and realized gain on sales of investments	\$ 3,927,622	\$ 2,489,884
Net increase (decrease) in fair value of investments	<u>5,167,618</u>	<u>(4,628,201)</u>
	<u>\$ 9,095,240</u>	<u>\$ (2,138,317)</u>

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**Note 4: 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 December 31 consisted of:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 7,502,574	\$ 7,331,044
Medicaid	714,298	1,288,328
Other third-party payors	15,838,226	11,750,630
Patients	<u>8,997,938</u>	<u>10,193,087</u>
	33,053,036	30,563,089
Less allowance for uncollectible accounts	<u>3,989,000</u>	<u>4,702,000</u>
	<u>\$ 29,064,036</u>	<u>\$ 25,861,089</u>

**Note 5: Investments in Joint Ventures**

The investments in joint ventures at December 31 relate to the following:

	<u>2019</u>	<u>2018</u>
Fresenius Medical Care – Stillwater, LLC	9%	9%
LifeCare Health Services, LLC	10%	10%
Tecumseh Health Reciprocal Risk Retention Group	4%	4%
Upper Midwest Consolidated Services Center	1%	1%
Bushwood, LLC	50%	50%

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The financial position and results of operations from the unaudited financial statements of the significant joint ventures for the fiscal years ended December 31 are summarized below:

	<b>2019</b>		
	<b>Tecumseh</b>	<b>Bushwood</b>	<b>LifeCare</b>
Current assets	\$ 60,979,392	\$ 126,826	\$ 7,843,059
Property and other long-term assets, net	<u>-</u>	<u>8,470,035</u>	<u>313,161</u>
Total assets	<u>\$ 60,979,392</u>	<u>\$ 8,596,861</u>	<u>\$ 8,156,220</u>
Total liabilities	\$ 18,157,605	\$ -	\$ 530,681
Partners' equity	<u>42,821,787</u>	<u>8,596,861</u>	<u>7,625,539</u>
Total liabilities and partners' equity	<u>\$ 60,979,392</u>	<u>\$ 8,596,861</u>	<u>\$ 8,156,220</u>
Revenues	<u>\$ 10,611,789</u>	<u>\$ 750,683</u>	<u>\$ 2,324,039</u>
Excess of revenues over expenses	<u>\$ 5,891,131</u>	<u>\$ 503,460</u>	<u>\$ 357,507</u>
	<b>2018</b>		
	<b>Tecumseh</b>	<b>Bushwood</b>	<b>LifeCare</b>
Current assets	\$ 53,629,283	\$ 123,631	\$ 6,855,297
Property and other long-term assets, net	<u>-</u>	<u>4,754,571</u>	<u>304,014</u>
Total assets	<u>\$ 53,629,283</u>	<u>\$ 4,878,202</u>	<u>\$ 7,159,311</u>
Total liabilities	\$ 19,790,296	\$ -	\$ 303,396
Partners' equity	<u>33,838,987</u>	<u>4,878,202</u>	<u>6,855,915</u>
Total liabilities and partners' equity	<u>\$ 53,629,283</u>	<u>\$ 4,878,202</u>	<u>\$ 7,159,311</u>
Revenues	<u>\$ 11,549,386</u>	<u>\$ 184,441</u>	<u>\$ 2,188,190</u>
Excess of revenues over expenses	<u>\$ 6,280,005</u>	<u>\$ 184,417</u>	<u>\$ 416,456</u>

Complete financial statements of the joint venture entities may be obtained by contacting the Authority's management.

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The Authority purchases its professional liability (medical malpractice) and general liability insurance coverage from Tecumseh Health Reciprocal Risk Retention Group (Tecumseh) (see *Note 7*). For the years ended December 31, 2019 and 2018, the Authority paid approximately \$269,000 and \$303,000 to Tecumseh, respectively, for the coverage. The Authority's investment in Tecumseh was \$1,545,061 and \$1,348,139 at December 31, 2019 and 2018, respectively.

Stillwater Medical Imaging, LLC (SMI) owned and operated MRI, CT and other imaging equipment. The Authority utilized SMI to provide imaging services for its patients. The equipment is located within Stillwater Medical Center, and the Authority managed the operations and provided all staffing and supplies for SMI. The Authority performed all billing and collection services on behalf of SMI in exchange for a percentage of cash collections. SMI functioned as if it were a department within the Authority. As a result, management had elected to record the gain on investment in SMI within operating revenues. During the year ended December 31, 2018, the Authority earned approximately \$904,000 in fees from billing and collections services, which are recorded in other operating revenues. During 2018, the Authority purchased the remaining shares of SMI for \$1,365,200 and is treating its ongoing operations as a department of the Authority.

LifeCare Health Services, LLC (LifeCare) is a joint venture between certain hospitals in Oklahoma organized to collaborate and share expenses and expertise to expand or enhance health care services in the communities served by each participating hospital in furtherance of their independent missions. The Authority's investment in LifeCare was approximately \$645,000 at December 31, 2019 and 2018.

Effective August 15, 2018, the Authority acquired a 50% equity interest in Bushwood, LLC (Bushwood) for \$6,285,000. Bushwood owns two buildings in Stillwater, Oklahoma, an ambulatory surgery center and a medical office building, that are 100% leased by the Authority. For the years ended December 31, 2019 and 2018, the Authority paid approximately \$702,000 and \$721,000, respectively, in rent for the right to utilize the building space. The Authority's investment in Bushwood was \$6,305,394 and \$6,339,664 at December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Authority received a distribution of \$286,000 from Bushwood.

Fresenius Medical Care – Stillwater, LLC (Fresenius) provides dialysis services to residents of Stillwater and the surrounding area. The Authority's investment in Fresenius was approximately \$262,000 at December 31, 2019 and 2018.

Upper Midwest Consolidated Services Center (UMCSC) is a health care supply purchasing and management organization. The Authority's investment in UMCSC was \$75,000 at December 31, 2019 and 2018.

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**Note 6: Capital Assets**

Capital assets activity for the years ended December 31 was:

	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 4,470,073	\$ -	\$ -	\$ -	\$ 4,470,073
Land improvements	4,044,327	30,345	-	-	4,074,672
Buildings, fixed equipment and leasehold improvements	103,518,197	3,985,189	-	2,576,019	110,079,405
Major moveable equipment	85,717,869	21,552,188	(516,708)	1,060,858	107,814,207
Construction in progress	17,582,200	15,207,336	-	(3,636,877)	29,152,659
	<u>215,332,666</u>	<u>40,775,058</u>	<u>(516,708)</u>	<u>-</u>	<u>255,591,016</u>
Less accumulated depreciation					
Land improvements	1,566,098	115,561	-	-	1,681,659
Buildings, fixed equipment and leasehold improvements	43,529,059	3,144,383	-	-	46,673,442
Major moveable equipment	65,096,569	7,048,589	(516,708)	-	71,628,450
	<u>110,191,726</u>	<u>10,308,533</u>	<u>(516,708)</u>	<u>-</u>	<u>119,983,551</u>
Capital assets, net	<u>\$ 105,140,940</u>	<u>\$ 30,466,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,607,465</u>
	<b>2018</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 4,470,073	\$ -	\$ -	\$ -	\$ 4,470,073
Land improvements	3,389,240	-	-	655,087	4,044,327
Buildings, fixed equipment and leasehold improvements	95,158,690	252,023	(523,361)	8,630,845	103,518,197
Major moveable equipment	79,088,150	7,268,838	(639,119)	-	85,717,869
Construction in progress	11,951,228	14,916,904	-	(9,285,932)	17,582,200
	<u>194,057,381</u>	<u>22,437,765</u>	<u>(1,162,480)</u>	<u>-</u>	<u>215,332,666</u>
Less accumulated depreciation					
Land improvements	1,462,385	103,713	-	-	1,566,098
Buildings, fixed equipment and leasehold improvements	40,248,572	3,614,210	(333,723)	-	43,529,059
Major moveable equipment	59,935,717	5,721,579	(560,727)	-	65,096,569
	<u>101,646,674</u>	<u>9,439,502</u>	<u>(894,450)</u>	<u>-</u>	<u>110,191,726</u>
Capital assets, net	<u>\$ 92,410,707</u>	<u>\$ 12,998,263</u>	<u>\$ (268,030)</u>	<u>\$ -</u>	<u>\$ 105,140,940</u>

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**Note 7: 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, an accrual of approximately \$60,000 and \$90,000 has been made as of December 31, 2019 and 2018, respectively. It is reasonably possible that this estimate could change materially in the near term.

The Authority is a subscriber (member) of Tecumseh, an entity approved by the state of Vermont to provide hospital professional and general liability coverage to its subscribers. Tecumseh was formed in order to stabilize the cost and availability of hospital professional and general liability insurance by taking advantage of the self-funding capabilities of a homogenous group of health care providers. Tecumseh members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis. See *Note 5* for additional information about Tecumseh.

**Note 8: Self-Insured Claims**

Substantially all of the Authority's employees and their dependents are eligible to participate in the Authority's employee health insurance plan. The Authority is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of approximately \$300,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount of \$175,000.

The Authority is self-insured for risks related to workers' compensation claims up to \$550,000 per occurrence with an annual liability limit of \$1,000,000 in the aggregate. In connection with the self-insured workers' compensation policy, the Authority had a \$300,000 certificate of deposit held in escrow at a local bank during the years ended December 31, 2019 and 2018. No draws were made on the certificate of deposit held in escrow through 2019.

A provision is accrued for self-insured employee health claims and workers' compensation claims, including both claims reported and claims incurred but not yet reported. The accruals are estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Authority's estimates will change by a material amount in the near term.

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Activity in the Authority's accrued employee health and workers' compensation claims liability during 2019 and 2018 is summarized as follows:

	<b>Employee Health</b>	<b>Workers' Compensation</b>
<b>2019</b>		
Balance, beginning of year	\$ 1,171,289	\$ 83,285
Current year claims incurred and changes in estimates for claims incurred in prior years	11,439,916	114,997
Claims and expenses paid	<u>(11,412,540)</u>	<u>(119,411)</u>
Balance, end of year	<u>\$ 1,198,665</u>	<u>\$ 78,871</u>
<b>2018</b>		
Balance, beginning of year	\$ 1,300,495	\$ 62,970
Current year claims incurred and changes in estimates for claims incurred in prior years	8,726,063	166,994
Claims and expenses paid	<u>(8,855,269)</u>	<u>(146,679)</u>
Balance, end of year	<u>\$ 1,171,289</u>	<u>\$ 83,285</u>

**Note 9: Long-Term Debt**

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31:

	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Revenue bonds payable					
Series 2014	\$ 3,205,000	\$ -	\$ 3,205,000	\$ -	\$ -
Series 2017	25,833,334	-	25,833,334	-	-
Series 2019A	-	4,500,000	1,250,000	3,250,000	1,500,000
Series 2019B	-	12,000,000	12,000,000	-	-
Series 2019C	-	21,250,000	359,622	20,890,378	4,895,000
Series 2019D	-	11,495,000	142,044	11,352,956	1,505,000
Promissory notes					
SMC Equipment	16,000,000	-	-	16,000,000	-
SMC Development	-	30,000,000	-	30,000,000	-
Capital lease obligations	<u>2,501,237</u>	<u>2,296,190</u>	<u>1,776,507</u>	<u>3,020,920</u>	<u>1,433,599</u>
Total long-term debt	<u>\$ 47,539,571</u>	<u>\$ 81,541,190</u>	<u>\$ 44,566,507</u>	<u>\$ 84,514,254</u>	<u>\$ 9,333,599</u>



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	2018				Current Portion
	Beginning Balance	Additions	Deductions	Ending Balance	
Revenue bonds payable					
Series 2014	\$ 6,355,000	\$ -	\$ 3,150,000	\$ 3,205,000	\$ 3,205,000
Series 2017	30,833,334	-	5,000,000	25,833,334	5,000,000
Promissory notes					
SMC Equipment	-	16,000,000	-	16,000,000	-
Capital lease obligations	3,462,766	973,709	1,935,238	2,501,237	1,332,269
Total long-term debt	<u>\$ 40,651,100</u>	<u>\$ 16,973,709</u>	<u>\$ 10,085,238</u>	<u>\$ 47,539,571</u>	<u>\$ 9,537,269</u>

**Revenue Bonds Payable – Series 2014**

The Series 2014 revenue bonds payable consisted of Hospital Revenue Bonds (the 2014 Bonds) in the original amount of \$15,570,000 dated March 28, 2014, which bear interest at 1.69%. The 2014 Bonds were payable in annual installments through May 15, 2019, with interest payable semiannually. The 2014 Bonds outstanding were able to be redeemed at the Authority’s option after May 16, 2017, at 100%. The 2014 Bonds were secured by the gross revenues of the Authority, certain property and the trustee-held assets restricted under the bond indenture agreement. The 2014 Bonds were paid off during the year ended December 31, 2019.

**Revenue Bond Payable – Series 2017**

The Series 2017 revenue bond payable consisted of a Hospital Revenue Bond (the Series 2017 Bond) in the original amount of \$35,000,000 dated January 26, 2017, which bears interest annually at 2.16%. The Series 2017 Bond was payable in monthly principal and interest installments through February 15, 2024. The Series 2017 Bond outstanding were able to be redeemed at the Authority’s option at a premium. The Series 2017 Bond was secured by the gross revenues of the Authority and the assets held by trustee and was to be used for capital asset acquisitions. The Series 2017 Bonds were paid off during the year ended December 31, 2019, with proceeds from the Series 2019C Bonds.

**Revenue Bond Payable – Series 2019**

The Authority issued the Series 2019A Bond (the Series 2019A Bond) as a \$4,500,000 loan payable dated February 14, 2019. The loan payable bore interest at 3.5% and is payable in monthly principal and interest installments through February 1, 2022. The Series 2019A Bond is secured by the gross revenues of the Authority.

The Authority issued the Hospital Revenue Bond, Series 2019B (the Series 2019B Bond) in the original amount of \$12,000,000 dated April 2, 2019, which bears interest annually at 3.18%. The Series 2019B Bond was payable in monthly principal and interest installments through May 1,

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2029. The Series 2019B Bond was secured by the gross revenues of the Authority and the assets held by trustee and was to be used for capital asset acquisitions. The Series 2019B Bond was paid off during the year ended December 31, 2019, with the proceeds from the Series 2019D Bonds.

The Authority issued the Hospital Revenue Bond, Series 2019C (the Series 2019C Bond) in the original amount of \$21,250,000 dated November 22, 2019. The Series 2019C Bond bears interest at 2.62% and is payable in monthly principal and interest installments through February 15, 2024. The Series 2019C Bond is secured by the gross revenues of the Authority. The proceeds of the Series 2019C Bond were primarily used to refund the outstanding amounts due under the Series 2017 Bond.

The Authority issued the Hospital Revenue Bond, Series 2019D (the Series 2019D Bond) in the original amount of \$11,495,000 dated November 22, 2019. The Series 2019D Bond bears interest at 2.88% and is payable in monthly principal and interest installments through November 2, 2026. The Series 2019D Bond is secured by the gross revenues of the Authority. The proceeds of the Series 2019D Bond were primarily used to refund the outstanding amounts due under the Series 2019B Bond.

The Authority's outstanding revenue bonds above contain a provision that in an event of default, outstanding amounts become immediately due if the Authority is unable to make payment.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service and specific capital acquisition in the accompanying balance sheets. The indenture agreements also require the Authority to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a historical debt service coverage ratio of at least 1.2 to 1.0, maintaining at least 75 days cash on hand and restrictions on incurrence of additional debt.

The indenture agreements contain a provision that, in the event of default, outstanding amounts become immediately due if the Authority is unable to make payment.

***SMC Equipment Promissory Notes***

SMC Equipment entered into two promissory notes payable to MMOK Sub VII (the Lender) with principal balances of \$10,758,400 and \$5,241,600, combined in the long-term debt schedule above. These notes financed the acquisition of certain major equipment, which is to be leased back to the Authority upon acquisition. The notes are secured by all of the assets of SMC Equipment. These notes payable were effective August 3, 2018, will mature on August 3, 2030, and bear interest annually at 1.67%. These promissory notes are payable in quarterly interest installments through September 1, 2025. Commencing December 1, 2025, SMC Equipment will pay equal installments of principal and interest in amounts sufficient to fully amortize the principal balance of the loans as of the maturity date. SMC Equipment is not permitted to prepay any portion of the principal of the loans until September 25, 2025.

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Concurrently, the Authority loaned \$10,758,400 to Stillwater NMTC, LLC. This note receivable is included with other assets on the accompanying balance sheets. The note receivable is effective August 3, 2018, will mature August 3, 2030, and bears interest at 1.0%. This note receivable is payable in quarterly interest installments through September 1, 2025.

At the end of the seven-year term, a put/call agreement may be exercised whereby Simmons NMTC Holding, LLC's interest in Stillwater NMTC, LLC (member of the Lender) is sold to the Authority under terms defined in the put/call agreement.

***SMC Development Promissory Notes***

SMC Development entered into two promissory notes payable to REI Subsidiary CDE 19, LLC (the Lender) with principal balances of \$21,189,000 and \$8,811,000, combined in the long-term debt schedule above. These notes financed the acquisition of certain building improvements, which is to be leased back to the Authority upon acquisition. The notes are secured by all of the assets of SMC Development. These notes payable were effective December 19, 2019, will mature on December 18, 2049, and bear interest annually at 1.206%. These promissory notes are payable in quarterly interest installments through December 19, 2026, plus a \$300,000 principal payment on December 19, 2026, for the \$8,811,000 note payable. Commencing March 5, 2027, SMC Development will pay equal installments of principal and interest in amounts sufficient to fully amortize the principal balance of the loans as of the maturity date. SMC Development is not permitted to prepay any portion of the principal of the loans until after October 2026.

Concurrently, the Authority loaned \$21,189,000 to BF SMC Investment Fund, LLC. This note receivable is included with other assets on the accompanying balance sheets. The note receivable is effective December 19, 2019, will mature December 18, 2043, and bears interest at 1.0% through December 19, 2026 then 1.4% through maturity. This note receivable is payable in quarterly interest installments through September 15, 2026.

At the end of the seven-year term, a put/call agreement may be exercised whereby BancFirst's interest in BF SMC investment Fund, LLC is sold to the Authority under terms defined in the put/call agreement.

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The debt service requirements for the Series 2014, Series 2017 and Series 2019 Revenue Bonds, SMC Equipment Promissory Notes and SMC Development Promissory Notes are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2020	\$ 9,428,509	\$ 7,900,000	\$ 1,528,509
2021	9,372,697	8,075,888	1,296,809
2022	8,086,105	7,006,897	1,079,208
2023	7,834,950	6,942,897	892,053
2024	2,947,699	2,191,225	756,474
2025–2029	22,814,887	20,301,791	2,513,096
2030–2035	10,221,278	8,786,240	1,435,038
2036–2039	7,403,280	6,359,820	1,043,460
2040–2045	7,403,280	6,754,629	648,651
2046–2049	7,403,280	7,173,947	229,333
	<u>\$ 92,915,965</u>	<u>\$ 81,493,334</u>	<u>\$ 11,422,631</u>

**Capital Lease Obligations**

The Authority is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2019 and 2018, totaled approximately \$8,928,000 and \$6,632,000, respectively, net of accumulated depreciation of approximately \$4,949,000 and \$3,623,000, respectively.

The following is a schedule by year of future minimum lease payments under capital leases, including interest rates between 1.50% and 2.16%, together with the present value of the future minimum lease payments:

Year Ending December 31,	
2020	\$ 1,441,121
2021	643,226
2022	471,391
2023	474,237
Total minimum lease payments	<u>3,029,975</u>
Less amount representing interest	<u>9,055</u>
Present value of future minimum lease payments	<u>\$ 3,020,920</u>

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**Note 10: Community Support**

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

At December 31, 2019 and 2018, the estimated uncompensated costs associated with charity care services were approximately \$3,537,000 and \$3,248,000, respectively. The cost of uncompensated care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

In addition to uncompensated costs, the Authority also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services and various support groups.

**Note 11: Operating Leases**

Noncancelable operating leases for equipment and building space expire in various years through December 2027. These leases generally contain renewal options for periods ranging from five to ten years and require the Authority to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at December 31, 2019, were approximately:

2020	\$ 746,000
2021	759,000
2022	773,000
2023	378,000
2024	384,000
2025–2027	<u>1,185,000</u>
	<u><u>\$ 4,225,000</u></u>

Rental expense for the years ended December 31, 2019 and 2018, was approximately \$1,426,000 and \$1,314,000, respectively.

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**Note 12: Pension Plan**

The Authority contributes to a defined contribution pension plan covering substantially all employees. 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 6% for both 2019 and 2018, respectively. Contributions actually made by plan members and the Authority aggregated approximately \$1,987,000 and \$3,857,000, respectively, during 2019 and \$1,755,000 and \$3,298,000, respectively, during 2018.

**Note 13: Acquisitions**

The Authority has acquired multiple service lines since 2009 for which the consideration provided exceeded the net position acquired as of the date of acquisition. These service lines were acquired as they were considered strategic additions to the services already provided by the Authority.

***Bristol Hospice and Homecare – Stillwater, LLC Acquisition***

In May 2017, the Authority acquired the remaining 50% equity in BHHC for a total purchase price of approximately \$450,000, which was paid for in cash. No contingent consideration was included in the transaction.

The Authority recorded deferred outflows of resources of approximately \$450,000 as a result of the transaction, which the Authority has elected to amortize over a period of five years. Amortization expense is estimated to be approximately \$90,000 each year through 2021 and approximately \$45,000 in 2022.

***Amortization of Deferred Outflows of Resources***

Other acquisitions resulting in deferred outflows of resources include:

- The 2009 acquisition of Stillwater Surgery Center, L.L.C., which is being amortized over 15 years. Amortization expense is approximately \$388,000 annually through 2024.
- The 2016 acquisition of assets and the oncology practice of Oklahoma Oncology and Hematology, Inc., and Oklahoma Cancer Specialists, which is being amortized over 10 years. Amortization expense is approximately \$300,000 annually through 2026.
- The 2019 acquisition of Pipeline Crossroads Clinic, which is being amortized over five years. Amortization expense is approximately \$603,000 annually through 2024.

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The carrying basis and accumulated amortization of recognized deferred outflows of resources related to government acquisitions at December 31 were:

	<b>2019</b>	<b>2018</b>
Deferred outflows of resources	\$ 16,221,823	\$ 13,204,573
Accumulated amortization	9,565,193	8,233,202
	<u>\$ 6,656,630</u>	<u>\$ 4,971,371</u>

The changes in the carrying amount of deferred outflows of resources for the years ended December 31 were:

	<b>2019</b>	<b>2018</b>
Balance as of January 1	\$ 13,204,573	\$ 13,204,573
Acquisitions during the year	3,017,248	-
Balance as of December 31	<u>\$ 16,221,821</u>	<u>\$ 13,204,573</u>

**Note 14: Contingencies**

***Litigation***

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. 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. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Note 15: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets

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- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2019</b>				
Money market mutual funds	\$ 51,341,308	\$ 51,341,308	\$ -	\$ -
Mutual funds – fixed income	\$ 32,535,028	\$ 32,535,028	\$ -	\$ -
Mutual funds – domestic equities	\$ 21,547,255	\$ 21,547,255	\$ -	\$ -
Mutual funds – international equities	\$ 5,641,277	\$ 5,641,277	\$ -	\$ -
<b>2018</b>				
Money market mutual funds	\$ 41,939,747	\$ 41,939,747	\$ -	\$ -
Mutual funds – fixed income	\$ 24,214,227	\$ 24,214,227	\$ -	\$ -
Mutual funds – domestic equities	\$ 18,561,691	\$ 18,561,691	\$ -	\$ -
Mutual funds – international equities	\$ 6,207,583	\$ 6,207,583	\$ -	\$ -
U.S. Treasury obligations	\$ 69,687	\$ 69,687	\$ -	\$ -

***Investments***

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities,



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prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Authority had no Level 3 investments at December 31, 2019 and 2018.

**Note 16: Combining Component Unit Information**

The following tables include combining balance sheet information for the Authority and its component unit as of December 31, 2019:

	Stillwater Medical Center Authority	SMC Equipment, Inc.	SMC Development, Inc.	SMC RE, LLC	Eliminations	Combined Balance
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 31,184,518	\$ 1,145,375	\$ -	\$ 304,862	\$ -	\$ 32,634,755
Short-term investments	27,500,962	-	-	-	-	27,500,962
Restricted cash and investments – current	78,871	-	-	-	-	78,871
Patient accounts receivable, net	29,064,036	-	-	-	-	29,064,036
Supplies	6,519,998	-	-	-	-	6,519,998
Estimated amounts due from third-party payors	-	-	-	-	-	-
Prepaid expenses and other	6,996,078	-	-	-	-	6,996,078
Total current assets	<u>101,344,463</u>	<u>1,145,375</u>	<u>-</u>	<u>304,862</u>	<u>-</u>	<u>102,794,700</u>
<b>Noncurrent Cash and Investments</b>						
Held by trustee for specific operating activities	300,000	-	-	-	-	300,000
Held by trustee for specific capital acquisition	72,373	-	28,452,424	-	-	28,524,797
	<u>372,373</u>	<u>-</u>	<u>28,452,424</u>	<u>-</u>	<u>-</u>	<u>28,824,797</u>
Less amount required to meet current obligations	78,871	-	-	-	-	78,871
	<u>293,502</u>	<u>-</u>	<u>28,452,424</u>	<u>-</u>	<u>-</u>	<u>28,745,926</u>
Other long-term investments	36,777,028	-	-	-	-	36,777,028
Noncurrent cash and investments, net	<u>37,070,530</u>	<u>-</u>	<u>28,452,424</u>	<u>-</u>	<u>-</u>	<u>65,522,954</u>
<b>Capital Assets, Net</b>	<u>88,748,367</u>	<u>14,925,610</u>	<u>15,948,916</u>	<u>15,984,572</u>	<u>-</u>	<u>135,607,465</u>
<b>Other Assets</b>						
Investments in joint ventures	33,125,128	-	-	-	(24,042,695)	9,082,433
Other	32,642,333	145,398	1,125,304	-	-	33,913,035
Total other assets	<u>65,767,461</u>	<u>145,398</u>	<u>1,125,304</u>	<u>-</u>	<u>(24,042,695)</u>	<u>42,995,468</u>
<b>Deferred Outflows of Resources</b>	<u>6,656,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,656,630</u>
Total assets and deferred outflows of resources	<u>\$ 299,587,451</u>	<u>\$ 16,216,383</u>	<u>\$ 45,526,644</u>	<u>\$ 16,289,434</u>	<u>\$ (24,042,695)</u>	<u>\$ 353,577,217</u>

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	Stillwater Medical Center Authority	SMC Equipment, Inc.	SMC Development, Inc.	SMC RE, LLC	Eliminations	Combined Balance
<b>Liabilities and Net Position</b>						
<b>Current Liabilities</b>						
Current maturities of long-term debt	\$ 9,333,599	\$ -	\$ -	\$ -	\$ -	\$ 9,333,599
Accounts payable	11,207,720	-	-	-	-	11,207,720
Accrued expenses	12,461,641	-	-	4,000	-	12,465,641
Estimated amounts due to third-party payors	655,000	-	-	-	-	655,000
Total current liabilities	33,657,960	-	-	4,000	-	33,661,960
<b>Long-Term Debt</b>	29,180,655	16,000,000	30,000,000	-	-	75,180,655
Total liabilities	62,838,615	16,000,000	30,000,000	4,000	-	108,842,615
<b>Net Position</b>						
Net investment in capital assets	48,852,283	(1,074,390)	14,401,340	15,984,572	-	78,163,805
Restricted – expendable for						
Debt service	-	-	-	-	-	-
Specific operating activities	300,000	-	-	-	-	300,000
Restricted – nonexpendable	-	-	-	-	7,769,383	7,769,383
Unrestricted	187,596,553	1,290,773	1,125,304	300,862	(31,812,078)	158,501,414
Total net position	236,748,836	216,383	15,526,644	16,285,434	(24,042,695)	244,734,602
Total liabilities and net position	<u>\$ 299,587,451</u>	<u>\$ 16,216,383</u>	<u>\$ 45,526,644</u>	<u>\$ 16,289,434</u>	<u>\$ (24,042,695)</u>	<u>\$ 353,577,217</u>

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The following tables include combining balance sheet information for the Authority and its component unit as of December 31, 2018:

	<b>Stillwater Medical Center Authority</b>	<b>SMC Equipment, Inc.</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 23,932,567	\$ 41,427	\$ -	\$ 23,973,994
Short-term investments	25,029,136	-	-	25,029,136
Restricted cash and investments – current	1,707,511	-	-	1,707,511
Patient accounts receivable, net of allowance	25,861,089	-	-	25,861,089
Supplies	5,389,683	-	-	5,389,683
Estimated amounts due from third-party payers	285,000	-	-	285,000
Prepaid expenses and other	3,032,911	-	-	3,032,911
	<u>85,237,897</u>	<u>41,427</u>	<u>-</u>	<u>85,279,324</u>
<b>Noncurrent Cash and Investments</b>				
Held by trustee for debt service	1,624,226	-	-	1,624,226
Held by trustee for specific operating activities	300,000	-	-	300,000
Held by trustee for specific capital acquisition	16,431,889	15,041,343	-	31,473,232
	<u>18,356,115</u>	<u>15,041,343</u>	<u>-</u>	<u>33,397,458</u>
Less amount required to meet current obligations	1,707,511	-	-	1,707,511
	<u>16,648,604</u>	<u>15,041,343</u>	<u>-</u>	<u>31,689,947</u>
Other long-term investments	24,214,228	-	-	24,214,228
	<u>40,862,832</u>	<u>15,041,343</u>	<u>-</u>	<u>55,904,175</u>
	<u>104,080,082</u>	<u>1,060,858</u>	<u>-</u>	<u>105,140,940</u>
<b>Capital Assets, Net</b>				
<b>Other Assets</b>				
Investments in joint ventures	8,668,284	-	-	8,668,284
Other	11,502,899	159,137	-	11,662,036
	<u>20,171,183</u>	<u>159,137</u>	<u>-</u>	<u>20,330,320</u>
	<u>4,971,371</u>	<u>-</u>	<u>-</u>	<u>4,971,371</u>
<b>Deferred Outflows of Resources</b>				
Total assets and deferred outflows of resources	<u>\$ 255,323,365</u>	<u>\$ 16,302,765</u>	<u>\$ -</u>	<u>\$ 271,626,130</u>

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	<b>Stillwater Medical Center Authority</b>	<b>SMC Equipment, Inc.</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 9,537,269	\$ -	\$ -	\$ 9,537,269
Accounts payable	7,069,563	-	-	7,069,563
Accrued expenses	10,318,701	52,179	-	10,370,880
Total current liabilities	26,925,533	52,179	-	26,977,712
<b>Long-Term Debt</b>	22,002,302	16,000,000	-	38,002,302
Total liabilities	48,927,835	16,052,179	-	64,980,014
<b>Net Position</b>				
Net investment in capital assets	86,620,153	-	-	86,620,153
Restricted – expendable for				
Debt service	1,596,263	-	-	1,596,263
Specific operating activities	300,000	-	-	300,000
Unrestricted	117,879,114	250,586	-	118,129,700
Total net position	206,395,530	250,586	-	206,646,116
Total liabilities and net position	\$ 255,323,365	\$ 16,302,765	\$ -	\$ 271,626,130

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The following table includes combining statement of revenues, expenses and changes in net position information for the Authority and its component unit for the year ended December 31, 2019:

	Stillwater Medical Center Authority	SMC Equipment, Inc.	SMC Development, Inc.	SMC RE, LLC	Eliminations	Combined Balance
<b>Operating Revenues</b>						
Net patient service revenue, net of provision for uncollectible accounts; \$23,909,551	\$ 230,697,313	\$ -	\$ -	\$ -	\$ -	\$ 230,697,313
Other	4,253,799	183,847	-	601,785	(785,632)	4,253,799
Total operating revenues	<u>234,951,112</u>	<u>183,847</u>	<u>-</u>	<u>601,785</u>	<u>(785,632)</u>	<u>234,951,112</u>
<b>Operating Expenses</b>						
Salaries and wages	94,273,722	-	-	-	-	94,273,722
Employee benefits	24,298,596	-	-	-	-	24,298,596
Purchased services and professional fees	24,203,276	18,500	-	-	-	24,221,776
Supplies and other expenses	62,395,355	2,151	132	30	(785,632)	61,612,036
Depreciation and amortization	11,449,766	35,330	-	155,428	-	11,640,524
Loss on sale of capital assets	3,596	-	-	-	-	3,596
Total operating expenses	<u>216,624,311</u>	<u>55,981</u>	<u>132</u>	<u>155,458</u>	<u>(785,632)</u>	<u>216,050,250</u>
<b>Operating Income</b>	<u>18,326,801</u>	<u>127,866</u>	<u>(132)</u>	<u>446,327</u>	<u>-</u>	<u>18,900,862</u>
<b>Nonoperating Revenues (Expenses)</b>						
Noncapital grants and gifts	20,903	-	-	-	-	20,903
Gain on investments in joint ventures	3,911,824	-	-	-	(248,120)	3,663,704
Investment return	8,961,016	119,367	14,857	-	-	9,095,240
Interest expense and financing costs	(891,357)	(281,436)	-	-	-	(1,172,793)
Total nonoperating revenues (expenses)	<u>12,002,386</u>	<u>(162,069)</u>	<u>14,857</u>	<u>-</u>	<u>(248,120)</u>	<u>11,607,054</u>
<b>Income (Loss) Before Transfers, Capital Gifts and Distributions</b>	<u>30,329,187</u>	<u>(34,203)</u>	<u>14,725</u>	<u>446,327</u>	<u>(248,120)</u>	<u>30,507,916</u>
<b>Transfers</b>	<u>-</u>	<u>-</u>	<u>15,511,919</u>	<u>16,140,000</u>	<u>(31,651,919)</u>	<u>-</u>
<b>Capital Gifts</b>	<u>24,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,119</u>
<b>Distributions from (to) Minority Owners</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,893)</u>	<u>7,857,344</u>	<u>7,556,451</u>
<b>Increase (Decrease) in Net Position</b>	<u>30,353,306</u>	<u>(34,203)</u>	<u>15,526,644</u>	<u>16,285,434</u>	<u>(24,042,695)</u>	<u>38,088,486</u>
<b>Net Position, Beginning of Year</b>	<u>206,395,530</u>	<u>250,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,646,116</u>
<b>Net Position, End of Year</b>	<u>\$ 236,748,836</u>	<u>\$ 216,383</u>	<u>\$ 15,526,644</u>	<u>\$ 16,285,434</u>	<u>\$ (24,042,695)</u>	<u>\$ 244,734,602</u>

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	<b>Stillwater Medical Center Authority</b>	<b>SMC Equipment, Inc.</b>	<b>Eliminations</b>	<b>Combined Balance</b>
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts; \$18,240,145	\$ 202,909,391	\$ -	\$ -	\$ 202,909,391
Gain on investment in joint venture	1,952,838	-	-	1,952,838
Other	4,046,253	-	-	4,046,253
Total operating revenues	<u>208,908,482</u>	<u>-</u>	<u>-</u>	<u>208,908,482</u>
<b>Operating Expenses</b>				
Salaries and wages	79,926,083	-	-	79,926,083
Employee benefits	19,227,745	-	-	19,227,745
Purchased services and professional fees	20,907,738	-	-	20,907,738
Supplies and other expenses	59,509,423	-	-	59,509,423
Depreciation and amortization	10,218,352	-	-	10,218,352
Loss on sale of capital assets	165,725	-	-	165,725
Total operating expenses	<u>189,955,066</u>	<u>-</u>	<u>-</u>	<u>189,955,066</u>
<b>Operating Income</b>	<u>18,953,416</u>	<u>-</u>	<u>-</u>	<u>18,953,416</u>
<b>Nonoperating Revenues (Expenses)</b>				
Noncapital grants and gifts	6,784	326,500	-	333,284
Gain on investments in joint ventures	392,266	-	-	392,266
Investment return	(2,171,074)	32,757	-	(2,138,317)
Interest expense and financing costs	(737,898)	(108,671)	-	(846,569)
Total nonoperating revenues (expenses)	<u>(2,509,922)</u>	<u>250,586</u>	<u>-</u>	<u>(2,259,336)</u>
<b>Income before Capital Gifts</b>	16,443,494	250,586	-	16,694,080
<b>Capital Gifts</b>	<u>1,515,451</u>	<u>-</u>	<u>-</u>	<u>1,515,451</u>
<b>Increase in Net Position</b>	17,958,945	250,586	-	18,209,531
<b>Net Position, Beginning of Year</b>	<u>188,436,585</u>	<u>-</u>	<u>-</u>	<u>188,436,585</u>
<b>Net Position, End of Year</b>	<u>\$ 206,395,530</u>	<u>\$ 250,586</u>	<u>\$ -</u>	<u>\$ 206,646,116</u>

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The following table includes condensed combining statement of cash flows information for the Authority and its component unit for the year ended December 31, 2019:

	<b>Stillwater Medical Center Authority</b>	<b>SMC Equipment, Inc.</b>	<b>SMC Development, Inc.</b>	<b>SMC RE, LLC</b>	<b>Eliminations</b>	<b>Combined Balance</b>
Net Cash Provided by (Used in) Operating Activities	\$ 29,779,374	\$ 111,017	\$ (132)	\$ 605,755	\$ -	\$ 30,496,014
Net Cash Provided by (Used in) Noncapital Financing Activities	20,903	-	-	-	-	20,903
Net Cash Provided by (Used in) Capital and Related Financing Activities	(42,289,424)	(14,167,779)	28,371,429	-	-	(28,085,774)
Net Cash Provided by (Used in) Investing Activities	<u>19,741,098</u>	<u>15,160,710</u>	<u>(28,371,297)</u>	<u>(300,893)</u>	<u>-</u>	<u>6,229,618</u>
Change in Cash and Cash Equivalents	7,251,951	1,103,948	-	304,862	-	8,660,761
Cash and Cash Equivalents, Beginning of Year	<u>23,932,567</u>	<u>41,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,973,994</u>
Cash and Cash Equivalents, End of Year	<u>\$ 31,184,518</u>	<u>\$ 1,145,375</u>	<u>\$ -</u>	<u>\$ 304,862</u>	<u>\$ -</u>	<u>\$ 32,634,755</u>

The following table includes condensed combining statement of cash flows information for the Authority and its component unit for the year ended December 31, 2018:

	<b>Stillwater Medical Center Authority</b>	<b>SMC Equipment, Inc.</b>	<b>Eliminations</b>	<b>Combined Balance</b>
Net Cash Provided by Operating Activities	\$ 25,977,841	\$ 52,179	\$ -	\$ 26,030,020
Net Cash Provided by (Used in) Noncapital Financing Activities	(310,774)	326,500	-	15,726
Net Cash Provided by (Used in) Capital and Related Financing Activities	(37,783,068)	14,671,334	-	(23,111,734)
Net Cash Provided by (Used in) Investing Activities	<u>18,448,565</u>	<u>(15,008,586)</u>	<u>-</u>	<u>3,439,979</u>
Change in Cash and Cash Equivalents	6,332,564	41,427	-	6,373,991
Cash and Cash Equivalents, Beginning of Year	<u>17,600,003</u>	<u>-</u>	<u>-</u>	<u>17,600,003</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,932,567</u>	<u>\$ 41,427</u>	<u>\$ -</u>	<u>\$ 23,973,994</u>

**Stillwater Medical Center Authority**  
**d/b/a Stillwater Medical Center**  
**A Component Unit of the City of Stillwater, Oklahoma**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 17: Subsequent Events**

Effective January 1, 2020, the Authority entered into a lease agreement with Blackwell Hospital Trust Authority (BHTA) to assume all operations of Blackwell Regional Hospital (Blackwell), a hospital located in Blackwell, Oklahoma. The initial lease term covers a period of seven years. Blackwell primarily earns revenues by providing inpatient, outpatient, emergency and home health services to patients in Blackwell, Oklahoma.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen that may negatively affect the financial position, results of operations and cash flows of the Authority. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. In April 2020, the Authority received approximately \$24,560,000 from Medicare under the Advanced and Accelerated Payment Program. This represents an advance on future Medicare services and is expected to be recouped by Medicare between July 2020 and January 2021.

In April and May 2020, the Authority also received approximately \$15,975,000 of funding from the Public Health and Social Services Emergency Fund. This is considered grant funding and will not be repayable if the Authority meets the grant requirements.

On June 30, 2020, the Authority entered into a \$10,000,000 term credit facility, the Series 2020 Hospital Revenue Note. The Series 2020 Note bears interest at 1.48% and has a maturity date of June 30, 2025.

The Authority invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets. There has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments, which has resulted in a substantial decline in the value of the Authority's investment portfolio.



**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  
Stillwater Medical Center Authority  
d/b/a Stillwater Medical Center  
Stillwater, 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 Stillwater Medical Center Authority d/b/a Stillwater Medical Center (the Authority), a component unit of the City of Stillwater, Oklahoma, which comprise the balance sheet as of December 31, 2019, 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 August 25, 2020, which contained an *Other Matter* paragraph regarding omission of required supplementary information and reference to the report of other auditors who audited the 2018 financial statements of SMC Equipment, Inc., as described in our report of the Authority's financial statements.

***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) to determine the 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. Given these limitations, during our audit, we did not identify any

Board of Trustees  
Stillwater Medical Center Authority  
d/b/a Stillwater Medical Center

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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*.

### ***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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Tulsa, Oklahoma  
August 25, 2020

**Stillwater Medical Center Authority  
d/b/a Stillwater Medical Center  
A Component Unit of the City of Stillwater, Oklahoma  
Schedule of Findings and Responses  
Year Ended December 31, 2019**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.