

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of**  
**Cimarron County, Oklahoma**  
Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2021



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Cimarron County Health Services Authority  
doing business as Cimarron Memorial Hospital  
A Component Unit of Cimarron County, Oklahoma  
Boise City, Oklahoma

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying statement of net position of Cimarron County Health Services Authority doing business as Cimarron Memorial Hospital, a component unit of Cimarron County, Oklahoma (the Authority) as of December 31, 2021, and the related notes to the financial statements.

In our opinion, the statement of net position referred to above presents fairly, in all material respects, the financial position of the Authority, as of December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Disclaimer of Opinion**

We were engaged to audit the statements of revenues, expenses, and changes in net position and cash flows for the year ended December 31, 2021, and the related notes to the financial statements.

We do not express an opinion on the statements of revenues, expenses, and changes in net position and cash flows. Because of the significance of the matters disclosed in the Basis of Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

The Authority's statement of net position as of December 31, 2020, is unaudited. As a result, we are unable to determine if revenues, expenses, other changes in net position, and cash flows are reported accurately for the year ended December 31, 2021.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of the Authority and do not purport to, and do not, present fairly the financial position of Cimarron County, Oklahoma, as of December 31, 2020, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Management has not presented 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2021. The purpose of this 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. This 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
August 11, 2022

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Statement of Net Position**  
**December 31, 2021**

<b>ASSETS</b>	<b>2021</b>
<i>Current assets</i>	
Cash and cash equivalents	\$ 1,381,877
Receivables:	
Patient accounts	909,184
Estimated third-party payor settlements	75,000
Inventories	176,479
Total current assets	2,542,540
<i>Noncurrent assets</i>	
Capital assets, net	508,207
<b>Total assets</b>	<b>\$ 3,050,747</b>
<b>LIABILITIES AND NET POSITION</b>	
<i>Current liabilities</i>	
Accounts payable	\$ 157,263
Accrued compensation and related liabilities	252,215
Total current liabilities	409,478
<i>Net position</i>	
Net investment in capital assets	508,207
Unrestricted	2,133,062
Total net position	2,641,269
<b>Total liabilities and net position</b>	<b>\$ 3,050,747</b>

*See accompanying notes to basic financial statements.*

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2021**

	<b>(Unaudited)</b>
	<b>2021</b>
<hr/>	
<i>Operating revenues</i>	
Net patient service revenue	\$ 3,714,179
Other	6,804
<b>Total operating revenues</b>	<b>3,720,983</b>
<hr/>	
<i>Operating expenses</i>	
Salaries and wages	2,058,758
Employee benefits	154,818
Professional fees and purchased services	220,710
Supplies	509,391
Utilities	109,546
Repairs and maintenance	389,348
Insurance	42,763
Rent and leases	24,141
Depreciation	34,040
Other	123,997
<b>Total operating expenses</b>	<b>3,667,512</b>
<hr/>	
<i>Operating income</i>	<b>53,471</b>
<hr/>	
<i>Nonoperating revenues</i>	
Taxation	274,274
CARES Act Provider Relief Fund	1,030,032
Paycheck Protection Program loan forgiveness	596,594
<b>Total nonoperating revenues, net</b>	<b>1,900,900</b>
<hr/>	
Change in net position	1,954,371
Net position, beginning of year	686,898
<hr/>	
<b>Net position, end of year</b>	<b>\$ 2,641,269</b>
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*See accompanying notes to basic financial statements.*

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

	<b>(Unaudited)</b> <b>2021</b>
<hr/>	
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash flows from operating activities</i>	
Receipts from and on behalf of patients and residents	\$ 4,542,824
Other receipts	6,804
Payments to and on behalf of employees	(3,030,849)
Payments to suppliers and contractors	(1,513,221)
Net cash provided by operating activities	5,558
<i>Cash flows from noncapital financing activities</i>	
Proceeds from taxation	274,274
Paycheck Protection Program loan forgiveness proceeds	298,296
CARES Act Provider Relief Fund proceeds	100,000
Net cash provided by noncapital financing activities	672,570
<i>Cash flows from capital and related financing activities</i>	
Purchase of capital assets	(293,347)
Net increase in cash and cash equivalents	384,781
Cash and cash equivalents, beginning of year	997,096
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,381,877</b>

*See accompanying notes to basic financial statements.*



**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2021**

**(Unaudited)**  
**2021**

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***Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities***

Operating income	\$	53,471
 <i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation		34,040
(Increase) decrease in assets:		
Receivables:		
Patient accounts		1,227,997
Estimated third-party payor settlements		(399,352)
Inventories		(17,815)
Prepaid expenses		262,470
Increase (decrease) in liabilities:		
Accounts payable		(337,980)
Accrued compensation and related liabilities		(817,273)
<b>Net cash provided by operating activities</b>		<b>\$ 5,558</b>

*See accompanying notes to basic financial statements.*

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements**  
**Year Ended December 31, 2021**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Cimarron County Health Services Authority (Authority) is a public trust which was formed by Cimarron County, Oklahoma (Trustor.) The Authority's sole activity is the operation of a 25-bed critical access hospital and rural health clinic in Boise City, Oklahoma. The trust beneficiary is Cimarron County (the County.) The Authority's Board of Trustees is appointed by the County Commissioners. The Authority is a component unit of the County.

The Authority operates Cimarron Memorial Hospital (the Hospital), which is an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3).

The Hospital is included as blended component unit of the Authority. The Hospital is governed by the Authority's Board of Trustees.

The Authority's only activity is the collection of the sales tax revenue described in Note 6 and the transfer of the sales tax revenue to the Hospital. All assets, liabilities, net position, revenue, and expenses are the Hospital's.

**b. Summary of Significant Accounting Policies**

*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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Enterprise fund accounting* – The Authority's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

*Cash and cash equivalents* – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

*Inventories* – Inventories are stated at cost using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Authority.

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

**Compensated absences** – The Authority’s employees earn paid time off (PTO) at varying rates, depending on years of service. Employees are allowed to accrue a maximum of one year’s accrual. Employees also earn sick leave benefits based on a standard rate-per-hour worked up to a specified maximum. Unused sick leave is not paid upon termination of employment.

**Net position** – Net position of the Authority is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*. The Authority does not have any restricted net position at December 31, 2021.

**Operating revenues and expenses** – The Authority’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services—the Authority’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

**Restricted resources** – When the Authority has both restricted and unrestricted resources available to finance a particular program, it is Authority policy to use restricted resources before unrestricted resources.

**Grants and contributions** – From time to time, the Authority receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for a specific project or purpose related to the Authority’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue.

**Subsequent events** – Subsequent events have been reviewed through August 11, 2022, the date on which the financial statements were available to be issued.

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Federal income tax* – The Hospital is exempt from federal income taxes under Section 501(c)(3) of the IRC. Accordingly, no provision for income tax is necessary. The Hospital evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. The Hospital had no uncertain tax positions requiring accrual.

*Upcoming accounting standard pronouncements* – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the Authority's year ending December 31, 2022, although earlier application is encouraged. The Authority has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the Authority's year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**2. Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposits in banks at December 31, 2021, were covered up to federal depository insurance levels with the remaining amounts uncollateralized.

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the Authority analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Authority analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Authority records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Authority does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the Authority consisted of these amounts:

	<b>2021</b>
Receivables from patients, residents, and their insurance carriers	\$ 2,739,483
Receivables from Medicare	532,238
Receivables from Medicaid	40,465
Total patient accounts receivable	<b>3,312,186</b>
Less allowance for uncollectible accounts	<b>2,403,002</b>
<b>Patient and resident accounts receivable, net</b>	<b>\$ 909,184</b>

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**4. Capital Assets:**

It is the Authority's policy to capitalize property and equipment over \$5,000 and a useful life of at least three years; lesser amounts are expensed. The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the date of contribution and are subsequently considered as being on the basis of cost.

All capital assets, other than land and construction in progress, are depreciated or amortized (in the case of capital leases) using the straight-line method over the estimated useful life of the asset. Such amortization is included in the depreciation and amortization in the basic financial statements. Useful lives have been estimated as follows:

Buildings and building improvements	5 to 40 years
Major movable equipment and fixed equipment	5 to 20 years

Capital assets activities were as follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 7,927	\$ -	\$ -	\$ -	\$ 7,927
<i>Capital assets being depreciated</i>					
Buildings and building improvements	122,417	14,733	-	-	137,150
Major movable equipment and fixed equipment	24,969	446,406	-	-	471,375
Total capital assets being depreciated	147,386	461,139	-	-	608,525
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	71,432	5,557	-	-	76,989
Major movable equipment and fixed equipment	2,773	28,483	-	-	31,256
Total accumulated depreciation	74,205	34,040	-	-	108,245
<i>Total capital assets being depreciated, net</i>	73,181	427,099	-	-	500,280
<b>Capital assets, net</b>	<b>\$ 81,108</b>	<b>\$ 427,099</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 508,207</b>

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**5. Net Patient Service Revenue:**

The Authority recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Authority recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Authority's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Authority records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Authority has not changed its charity care or uninsured discount policies during fiscal year 2021.

Patient and resident service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows.

	<b>(Unaudited)</b>
	<b>2021</b>
<hr/>	
Patient service revenue:	
Medicare	\$ 1,829,824
Medicaid	421,079
Other third-party payors	1,099,246
Patients and residents	477,561
	<hr/>
	<b>3,827,710</b>
Less:	
Charity care	1,846
Provision for bad debts	111,685
	<hr/>
<b>Net patient service revenue</b>	<b>\$ 3,714,179</b>
	<hr/>

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – The Authority has been designated a critical access hospital and the clinic a rural health clinic by Medicare. The Authority is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority.
- *Medicaid* – Inpatient, outpatient, and rural health clinic services provided to Medicaid program beneficiaries are reimbursed under prospective payment methodologies.

**Cimarron County Health Services Authority**  
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**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**5. Net Patient Service Revenue (continued):**

The Authority also has 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.

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to the State of Oklahoma from Federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital. Critical access hospitals (CAH) are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. The Authority records receipts as a reduction in Medicaid contractual adjustments. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP. The Authority received SHOPP payments, which are included in net patient service revenue.

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

The Authority provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Authority's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Authority does not report these amounts in net operating revenues or in the allowance for uncollectible accounts.

**6. Taxes:**

On March 3, 2020, the voters of Cimarron County passed a perpetual 2 cent sales tax of which 1.5 percent is for the support of the Hospital.

**7. Commitments and Contingencies:**

**Medical malpractice claims** – The Authority has professional liability insurance with COPIC. The Physicians policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Authority purchased claims-made insurance in that year or the Authority purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has no deductible per claim.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.



**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**7. Commitments and Contingencies (continued):**

**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; and natural disasters. 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. The Authority is self-insured for unemployment claims.

**Industry regulations** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Authority is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**8. Concentration of Credit Risk:**

**Patient accounts receivable** – The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The majority of these patients are geographically concentrated in and around Cimarron County.

The mix of receivables was as follows:

	<b>2021</b>
Medicare	<b>8 %</b>
Medicaid	<b>2</b>
Other third-party payors	<b>70</b>
Patients	<b>20</b>
	<b>100 %</b>

**Physicians** – The Authority is dependent on local physicians practicing in its service area to provide admissions and utilize Authority services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Authority operations.

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended December 31, 2021**

**9. CARES Act Provider Relief Fund:**

From April 2020 to September 2021, the Authority had received approximately \$3,179,000 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the Authority for healthcare-related expenses or lost revenues that are attributable to coronavirus. During the year ended December 31, 2021, the Authority recognized approximately \$1,030,000 of grant revenue from these funds.

**SINGLE AUDIT**

**AUDITORS' SECTION**



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Cimarron County Health Services Authority  
doing business as Cimarron Memorial Hospital  
A Component Unit of Cimarron County, Oklahoma  
Boise City, Oklahoma

We have audited, in accordance with the 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 Cimarron County Health Services Authority doing business as Cimarron Memorial Hospital (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 11, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of audit findings and questioned costs as item 2021-001, that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

The Authority's response to the finding identified in our audit is described in the accompanying schedule of audit findings and questioned costs. 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
August 11, 2022



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Cimarron County Health Services Authority  
doing business as Cimarron Memorial Hospital  
A Component Unit of Cimarron County, Oklahoma  
Boise City, Oklahoma

**Report on Compliance for the Authority's Major Federal Program**

***Opinion on The Major Federal Program***

We have audited the Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2021. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

***Basis for Opinion on The Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of its major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of audit findings and questioned costs as item 2021-002. Our opinion on the major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of audit findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.



*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as item 2021-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
August 11, 2022

**Cimarron County Health Services Authority  
 doing business as Cimarron Memorial Hospital  
 A Component Unit of Cimarron County, Oklahoma  
 Schedule of Audit Findings and Questioned Costs  
 Year Ended December 31, 2021**

**Section I – Summary of Auditors’ Results:**

**Financial Statements:**

Type of auditors’ report issued:	<i>Unmodified</i>			
Internal control over financial reporting:				
• Material weakness(es) identified?	<u>    X    </u>	yes	<u>        </u>	no
• Significant deficiency(ies) identified?	<u>        </u>	yes	<u>    X    </u>	none reported
Noncompliance material to financial statements noted?	<u>        </u>	yes	<u>    X    </u>	no

**Federal Awards:**

Internal control over major federal programs:				
• Material weakness(es) identified?	<u>        </u>	yes	<u>    X    </u>	no
• Significant deficiency(ies) identified?	<u>    X    </u>	yes	<u>        </u>	none reported
Type of auditors’ report issued on compliance for major federal programs:	<i>Unmodified</i>			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>    X    </u>	yes	<u>        </u>	no

**Identification of major federal program:**

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	<u>        </u>	yes	<u>    X    </u>	no
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**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Schedule of Audit Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2021**

**Section II – Financial Statement Findings**

**2021-001 Control Environment**

Significant Deficiency  Material Weakness  Material Noncompliance

Other Noncompliance

<i>Criteria</i>	Those charged with governance are to provide oversight of financial reporting. Senior management and department managers need accurate and timely financial reporting to manage the Authority.
<i>Condition</i>	The Authority has not had a financial audit performed for several years. The Board of Trustees was not receiving accurate financial reporting on a timely basis through December 31, 2021. The contract chief financial officer that was engaged late in 2021 made significant adjustments and corrections in early 2022 to correct the financial reporting. Until this time, the Board of Trustees was not receiving accurate and timely financial reporting to use in their oversight of the Authority and senior management were not receiving accurate and timely financial reporting to manage the Authority.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	The Board of Trustees and senior management were not receiving accurate and timely financial reporting to perform their functions. The auditors were unable to provide an audit opinion on the 2021 statements of revenues, expenses, and changes in the net position and cash flows.
<i>Cause</i>	The Authority had significant changes in leadership in the years preceding and adequate resources had not been devoted to financial reporting.
<i>Recommendation</i>	The current chief executive officer and contracted chief financial officer should continue the improvements they have made to the financial reporting process in early 2022.
<i>Views of responsible officials and planned corrective action</i>	The chief financial officer will continue to balance, reconcile, and prepare monthly financial statements and submit them to the chief executive officer monthly. Monthly financial statements will be presented to the Authority at regular scheduled meetings. The Authority will have the opportunity to review, approve, or make recommendations on all financial reporting or financial matters at each meeting. The presentation of financial statements and the Authority's approval will be documented each month in the Board Minutes.

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Schedule of Audit Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2021**

**Section III – Federal Award Findings and Questioned Costs**

<b>2021-002</b>	<b>Gross Revenue Use in Lost Revenue Calculation</b>
<i>Federal Agency</i>	Department of Health and Human Services
<i>Assistance Listing Number</i>	93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
<i>Criteria</i>	[X] Significant Deficiency [ ] Material Weakness [X] Compliance Finding  Under the terms and conditions of the award, the recipient is to use net patient service revenue in its calculation of lost revenues when selecting option 1 in its reporting.
<i>Condition</i>	The Authority used gross revenue to calculate lost revenue in its reporting of Provider Relief Fund and ARP Rural Distribution to the Health Resource and Services Administration.
<i>Context</i>	This finding appears to be an isolated instance.
<i>Effect</i>	Gross revenue appears to be a reasonable alternative methodology for the Authority to calculate lost revenue. Therefore, the lost revenue calculation is reasonable to use for computing Provider Relief Funds to retain.
<i>Cause</i>	The Authority did not understand that Option 3 – reasonable alternative method should have been selected for reporting lost revenue.
<i>Recommendation</i>	We recommend the Authority change its lost revenue reporting method to Option 3 in the next reporting period or amend the Period 1 reporting.
<i>Views of responsible officials and planned corrective action</i>	The Authority will change its lost revenue reporting method to Option 3 in the next reporting period.

**AUDITEES' SECTION**

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services Direct Programs:</b>			
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	COVID-19	\$ 100,000
Provider Relief Fund and American Rescue Plan (ARP) Distribution	93.498	COVID-19	3,179,272
Total U.S. Department of Health and Human Services Direct Programs			3,279,272
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,279,272</b>

**Notes to the Schedule of Expenditures of Federal Awards:**

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cimarron County Health Services Authority doing business as Cimarron Memorial Hospital (the Authority) under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the June 30, 2021, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**2. Summary of Significant Accounting Policies:**

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



And Rural Health Clinic  
100 South Ellis, Boise City, Oklahoma 73933  
580-544-2501

**Cimarron County Health Services Authority  
doing business as Cimarron Memorial Hospital  
A Component Unit of Cimarron County, Oklahoma  
Corrective Action Plan  
Year Ended December 31, 2021**

The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II – *Financial Statement Findings* and one matter in Section III – *Federal Award Findings and Questioned Costs*.

**Current year audit findings:**

**2021-001 Control Environment**

***Corrective action planned:***

The chief financial officer will continue to balance, reconcile, and prepare monthly financial statements and submit them to the chief executive officer monthly. Monthly financials statements will be presented to the Authority at regular scheduled meetings. The Authority will have the opportunity to review, approve, or make recommendations on all financial reporting or financial matters at each meeting. The presentation of financial statements and the Authority’s approval will be documented each month in the Board Minutes.

***Anticipated completion date:***

August 1, 2022

***Contact person responsible for corrective action:***

Jonathan Gleason, CEO  
Barbara Miller, CFO

**2021-002 Gross Revenue Use in Lost Revenue Calculation**

***Corrective action planned:***

The Authority will change its lost revenue reporting method to Option 3 in the next reporting period.

***Anticipated completion date:***

December 1, 2022

***Contact person responsible for corrective action:***

Jonathan Gleason, CEO  
Barbara Miller, CFO

**Cimarron County Health Services Authority**  
**doing business as Cimarron Memorial Hospital**  
**A Component Unit of Cimarron County, Oklahoma**  
**Schedule of Prior Audit Findings**  
**Year Ended December 31, 2021**

No audit was performed for the year ended December 31, 2020, nor were there any unresolved findings from period 2019 or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2021.