

**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, 2022 and 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 statements 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, 2022 and 2021, the statements of revenues, expenses, and changes in net position and cash flows for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying statements of net position of the Authority as of December 31, 2022 and 2021, and the statements of revenues, expenses and changes in net position and cash flows for the year ended December 31, 2022, present fairly, in all material respects, the financial position of the Authority as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statements of net position as of December 31, 2022 and 2021, and the statements of revenues, expenses, and changes in net position and cash flows for year ended December 31, 2022.

Disclaimer of Opinion on the 2021 Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows

We do not express an opinion on the accompanying results of the statements of revenues, expenses, and changes in net position and cash flows for year ended December 31, 2021. Because of the significance of the matter described in the Basis for 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 the results of the statements of revenues, expenses, and changes in net position and cash flows.

Basis for Disclaimer of Opinion on the 2021 Operations and Cash Flows

The Authority's statement of net position as of December 31, 2020, was unaudited. As a result, we were unable to determine if revenues, expenses, and changes in net position and cash flows were 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 statements of Cimarron County as of December 31, 2022 and 2021, the changes in its financial position or its cash flows for the years 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated August 11, 2022, which has not been included with the 2022 financial compliance report. The purpose of those reports are 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. Those reports are 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
May 9, 2023

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Statements of Net Position
December 31, 2022 and 2021

ASSETS	2022	2021
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,817,672	\$ 1,381,877
Receivables:		
Patient accounts	764,873	909,184
Estimated third-party payor settlements	-	75,000
Contract 340B pharmacy	47,755	-
Sales tax	54,942	-
Inventories	117,845	176,479
Total current assets	2,803,087	2,542,540
<i>Noncurrent assets</i>		
Capital assets, net	552,899	508,207
Total assets	\$ 3,355,986	\$ 3,050,747
LIABILITIES AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 147,671	\$ 157,263
Accrued compensation and related liabilities	129,826	252,215
Estimated third party payor settlements	905,529	-
Total current liabilities	1,183,026	409,478
<i>Net position</i>		
Net investment in capital assets	552,899	508,207
Unrestricted	1,620,061	2,133,062
Total net position	2,172,960	2,641,269
Total liabilities and net position	\$ 3,355,986	\$ 3,050,747

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
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Operating revenues</i>		
Net patient service revenue	\$ 3,026,070	\$ 3,714,179
Contract 340B pharmacy revenue	173,763	-
Other	27,581	6,804
Total operating revenues	3,227,414	3,720,983
<i>Operating expenses</i>		
Salaries and wages	2,093,610	2,058,758
Employee benefits	211,436	154,818
Professional fees and purchased services	748,976	220,710
Supplies	544,633	509,391
Utilities	113,933	109,546
Repairs and maintenance	185,009	389,348
Insurance	25,232	42,763
Rent and leases	22,566	24,141
Depreciation	56,718	34,040
Other	180,688	123,997
Total operating expenses	4,182,801	3,667,512
<i>Operating income (loss)</i>	(955,387)	53,471
<i>Nonoperating revenues</i>		
Taxation	296,692	274,274
CARES Act Provider Relief Fund	190,386	1,030,032
Paycheck Protection Program loan forgiveness	-	596,594
Total nonoperating revenues, net	487,078	1,900,900
Change in net position	(468,309)	1,954,371
Net position, beginning of year	2,641,269	686,898
Net position, end of year	\$ 2,172,960	\$ 2,641,269

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
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients and residents	\$ 4,150,910	\$ 4,542,824
Other receipts	27,581	(291,493)
Proceeds from contract 340B pharmacy	126,008	-
Payments to and on behalf of employees	(2,427,435)	(3,030,849)
Payments to suppliers and contractors	(1,826,937)	(1,513,221)
Net cash from operating activities	50,127	(292,739)
<i>Cash flows from noncapital financing activities</i>		
Proceeds from taxation	296,692	274,274
Paycheck Protection Program loan forgiveness proceeds	-	596,593
CARES Act Provider Relief Fund proceeds	190,386	100,000
Net cash from noncapital financing activities	487,078	970,867
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(101,410)	(293,347)
Net increase in cash and cash equivalents	435,795	384,781
Cash and cash equivalents, beginning of year	1,381,877	997,096
Cash and cash equivalents, end of year	\$ 1,817,672	\$ 1,381,877

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
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</i>		
Operating income (loss)	\$ (955,387)	\$ 53,471
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities</i>		
Depreciation	56,718	34,040
(Increase) decrease in assets:		
Receivables:		
Patient accounts	144,311	1,227,997
Estimated third-party payor settlements	75,000	(399,352)
Other Receivable	(54,942)	-
Inventories	58,634	(17,815)
Prepaid expenses	-	262,470
Contract 340B pharmacy	(47,755)	-
Increase (decrease) in liabilities:		
Accounts payable	(9,592)	(337,980)
Accrued compensation and related liabilities	(122,389)	(817,273)
Estimated third party payors settlements	905,529	-
Paycheck protection program loan forgiveness proceeds	-	(298,297)
Net cash from operating activities	\$ 50,127	\$ (292,739)

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
Years Ended December 31, 2022 and 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.

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 180 hours in a year on a use or lose basis. 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.

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

b. Summary of Significant Accounting Policies (continued)

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, 2022.

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 May 9, 2023, the date on which the financial statements were available to be issued.

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.

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

b. Summary of Significant Accounting Policies (continued)

Change in accounting principle – 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.

Upcoming accounting standard pronouncements – 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, 2022, were covered up to federal depository insurance levels with the remaining amounts collateralized.

Cimarron County Health Services Authority
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 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:

	2022	2021
Receivables from patients, residents, and their insurance carriers	\$ 1,855,741	\$ 2,739,483
Receivables from Medicare	557,357	532,238
Receivables from Medicaid	51,775	40,465
Total patient accounts receivable	2,464,873	3,312,186
Less allowance for uncollectible accounts	1,700,000	2,403,002
Patient and resident accounts receivable, net	\$ 764,873	\$ 909,184

Cimarron County Health Services Authority
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 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, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
<i>Capital assets not being depreciated</i>					
Land	\$ 7,927	\$ -	\$ -	\$ -	\$ 7,927
<i>Capital assets being depreciated</i>					
Buildings and building improvements	137,150	-	-	-	137,150
Major movable equipment and fixed equipment	471,375	101,410	-	-	572,785
Total capital assets being depreciated	608,525	101,410	-	-	709,935
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	76,989	5,955	-	-	82,944
Major movable equipment and fixed equipment	31,256	50,763	-	-	82,019
Total accumulated depreciation	108,245	56,718	-	-	164,963
<i>Total capital assets being depreciated, net</i>	500,280	44,692	-	-	544,972
Capital assets, net	\$ 508,207	\$ 44,692	\$ -	\$ -	\$ 552,899

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

4. Capital Assets (continued):

	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
Capital assets, net	\$ 81,108	\$ 427,099	\$ -	\$ -	\$ 508,207

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 2022.

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Net Patient Service Revenue (continued):

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:

	2022	Unaudited 2021
Patient service revenue:		
Medicare	\$ 2,421,700	\$ 1,829,824
Medicaid	146,378	421,079
Other third-party payors	230,896	1,099,246
Patients and residents	505,076	477,561
	3,304,050	3,827,710
Less:		
Charity care	4,537	1,846
Provision for bad debts	273,443	111,685
Net patient service revenue	\$ 3,026,070	\$ 3,714,179

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
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 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. Net patient service revenue decreased by approximately \$351,000 in 2022, due to differences between original estimates and final settlements or revised estimates.

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. Retirement Plan:

The Authority began providing benefits through a defined contributions plan called the Cimarron Memorial Hospital and Nursing Home 401(k) Plan (the Plan) to its employees in July 2022. In a defined contribution plan, benefits depend solely on amounts contributed by the employee and the Authority to the plan plus investment earnings. Employees are eligible to participate after 90 days of service and if they are over the age of 21. The Authority contributes a 3 percent match to the Plan on behalf of employees who contribute to the Plan. The contributions are vested at 100 percent after three years of service. Benefit terms, including contribution requirements for the Plan, are established and may be amended by the Authority.

The Plan is available to all employees who meet eligibility requirements. Employee and employer contributions for 2022 were \$18,000 and \$10,000, respectively.

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
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Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

8. 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 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.

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.

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

9. 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 is as follows:

	2022	2021
Medicare	23 %	8 %
Medicaid	8	2
Other third-party payors	23	70
Patients	46	20
	100 %	100 %

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.

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, a component unit of Cimarron County, Oklahoma (the Authority) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 9, 2023.

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) 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as items 2022-001 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, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Finding

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

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 9, 2023

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Schedule of Findings and Responses
Year Ended December 31, 2022

2022-001 Auditor Detected Adjusting Journal Entries

☐ Significant Deficiency ☒ Material Weakness ☐ Material Noncompliance

☐ Other Noncompliance

<i>Criteria</i>	There should not be any significant or material adjusting journal entries made during the audit process.
<i>Condition</i>	During the audit process, a few adjusting entries were prepared by management and proposed by the audit team to achieve accurate balances. Significant audit adjustments were made to correct balances related to other revenue, contracted pharmacy 340B, and accounts payable.
<i>Context</i>	This finding appears to be isolated instances.
<i>Effect</i>	Financial reports depended on by management, the Board of Trustees, and external financial statement users may not present an accurate image of the Authority's financial position.
<i>Cause</i>	Although performed regularly by management, reconciliations and review are not being executed with as much precision as necessary to identify necessary adjustments in a timelier manner.
<i>Recommendation</i>	We recommend all statement of net position accounts be reconciled and adjusted as necessary each month.
<i>Management's response</i>	The chief financial officer will book all expenses related to contract pharmacy 340B monthly when recording the revenue and drug expense. A new general ledger account was created to record contract pharmacy 340B dispensing expenses. Miscellaneous income and other revenue will be reclassified monthly during preparation of financial statements. Accounts payable will be reviewed and reconciled monthly during monthly financial statement preparation.

**Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022**

2021-001 Control Environment – Resolved in 2022

There were no unresolved findings from December 31, 2020, or prior.