

**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, 2023 and 2022



Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Table of Contents

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-3
<i>BASIC FINANCIAL STATEMENTS:</i>	
Statements of net position	4
Statements of revenues, expenses, and changes in net position	5
Statements of cash flows	6-7
Notes to basic financial statements	8-16
<i>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</i>	17-18
Summary schedule of prior audit findings	19

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 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, 2023 and 2022, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended 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.

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 20, 2024, 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, 2023. We issued a similar report for the year ended December 31, 2022, dated May 9, 2023, which has not been included with the 2023 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.

D3A PLLC

Spokane Valley, Washington
May 20, 2024

Cimarron County Health Services Authority
doing business as Cimarron Memorial Hospital
A Component Unit of Cimarron County, Oklahoma
Statements of Net Position
December 31, 2023 and 2022

ASSETS	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 820,297	\$ 1,817,672
Receivables:		
Patient accounts	778,906	764,873
Estimated third-party payor settlements	196,619	-
Contract 340B pharmacy	69,094	47,755
Sales tax	42,000	54,942
Inventories	96,423	117,845
Total current assets	2,003,339	2,803,087
<i>Noncurrent assets</i>		
Capital assets, net	570,846	552,899
Total assets	\$ 2,574,185	\$ 3,355,986
LIABILITIES AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 255,961	\$ 147,671
Accrued compensation and related liabilities	153,657	129,826
Estimated third party payor settlements	-	905,529
Total current liabilities	409,618	1,183,026
<i>Net position</i>		
Net investment in capital assets	570,846	552,899
Unrestricted	1,593,721	1,620,061
Total net position	2,164,567	2,172,960
Total liabilities and net position	\$ 2,574,185	\$ 3,355,986

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, 2023 and 2022

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 4,086,248	\$ 3,026,070
Contract 340B pharmacy revenue	525,803	173,763
Other	58,261	27,581
Total operating revenues	4,670,312	3,227,414
<i>Operating expenses</i>		
Salaries and wages	2,537,195	2,093,610
Employee benefits	276,507	211,436
Professional fees and purchased services	1,044,453	748,976
Supplies	567,103	544,633
Utilities	122,476	113,933
Repairs and maintenance	185,528	185,009
Insurance	63,024	25,232
Rent and leases	26,708	22,566
Depreciation	66,145	56,718
Other	175,870	180,688
Total operating expenses	5,065,009	4,182,801
<i>Operating loss</i>	(394,697)	(955,387)
<i>Nonoperating revenues</i>		
Taxation	315,304	296,692
CARES Act Provider Relief Fund	-	190,386
Total nonoperating revenues, net	315,304	487,078
<i>Capital grants</i>	71,000	-
Change in net position	(8,393)	(468,309)
Net position, beginning of year	2,172,960	2,641,269
Net position, end of year	\$ 2,164,567	\$ 2,172,960

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, 2023 and 2022

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients and residents	\$ 2,970,067	\$ 4,150,910
Other receipts	58,261	27,581
Proceeds from contract 340B pharmacy	504,464	126,008
Payments to and on behalf of employees	(2,789,871)	(2,427,435)
Payments to suppliers and contractors	(2,055,450)	(1,826,937)
Net cash from operating activities	(1,312,529)	50,127
<i>Cash flows from noncapital financing activities</i>		
Proceeds from taxation	315,304	296,692
Proceeds from sales tax	12,942	-
CARES Act Provider Relief Fund proceeds	-	190,386
Net cash from noncapital financing activities	328,246	487,078
<i>Cash flows from capital and related financing activities</i>		
Proceeds from capital grants	71,000	-
Purchase of capital assets	(84,092)	(101,410)
Net cash from capital and related financing activities	(13,092)	(101,410)
Net increase (decrease) in cash and cash equivalents	(997,375)	435,795
Cash and cash equivalents, beginning of year	1,817,672	1,381,877
Cash and cash equivalents, end of year	\$ 820,297	\$ 1,817,672

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, 2023 and 2022

	2023	2022
<i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i>		
Operating loss	\$ (394,697)	\$ (955,387)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation	66,145	56,718
Provision for bad debts	(138,435)	(290,957)
(Increase) decrease in assets:		
Receivables:		
Patient accounts	124,402	435,268
Estimated third-party payor settlements	(196,619)	75,000
Contract 340B pharmacy	(21,339)	(47,755)
Other receivable	-	(54,942)
Inventories	21,422	58,634
Increase (decrease) in liabilities:		
Accounts payable	108,290	(9,592)
Accrued compensation and related liabilities	23,831	(122,389)
Estimated third party payors settlements	(905,529)	905,529
Net cash from operating activities	\$ (1,312,529)	\$ 50,127

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, 2023 and 2022

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, 2023 and 2022

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, 2023 or 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 the Authority’s 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 20, 2024, 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, 2023 and 2022

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

b. Summary of Significant Accounting Policies (continued)

Change in accounting principle – In May 2020, the Governmental Accounting Standards Board (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 Authority adopted Statement No. 96 during the year ended December 31, 2023. The implementation of Statement No. 96 had no effect on the Authority's financial statements.

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, 2023 and 2022, were covered up to federal depository insurance levels with the remaining amounts collateralized.

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.

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, 2023 and 2022

3. Patient Accounts Receivable (continued):

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

	2023	2022
Receivables from patients, residents, and their insurance carriers	\$ 2,229,149	\$ 1,855,741
Receivables from Medicare	187,033	557,357
Receivables from Medicaid	62,724	51,775
Total patient accounts receivable	2,478,906	2,464,873
Less allowance for uncollectible accounts	1,700,000	1,700,000
Patient accounts receivable, net	\$ 778,906	\$ 764,873

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 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

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, 2023 and 2022

4. Capital Assets (continued):

Capital assets activities were as follows:

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<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	572,785	84,092	-	-	656,877
Total capital assets being depreciated	709,935	84,092	-	-	794,027
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	82,944	5,924	-	-	88,868
Major movable equipment and fixed equipment	82,019	60,221	-	-	142,240
Total accumulated depreciation	164,963	66,145	-	-	231,108
Total capital assets being depreciated, net	544,972	17,947	-	-	562,919
Capital assets, net	\$ 552,899	\$ 17,947	\$ -	\$ -	\$ 570,846
	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
Total capital assets being depreciated, net	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
A Component Unit of Cimarron County, Oklahoma
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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 2023 or 2022.

Patient 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:

	2023	2022
Patient service revenue:		
Medicare	\$ 2,611,311	\$ 2,421,700
Medicaid	587,738	146,378
Other third-party payors	594,742	248,410
Patients	430,892	505,076
	4,224,683	3,321,564
Less:		
Charity care	-	4,537
Provision for bad debts	138,435	290,957
Net patient service revenue	\$ 4,086,248	\$ 3,026,070

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, 2023 and 2022**

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 \$-0- and \$351,000 in 2023 and 2022, respectively, 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.

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, 2023 and 2022

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 2023. 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 2023 were \$30,000 and \$14,000 and for 2022 were \$18,000 and \$10,000, respectively.

8. Commitments and Contingencies:

Medical malpractice claims – The Authority has professional liability insurance with COPIC. The COPIC 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, 2023 and 2022

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:

	2023	2022
Medicare	9 %	23 %
Medicaid	4	8
Other third-party payors	28	23
Patients	59	46
	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, 2023, 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 20, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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.

D3A PLLC

Spokane Valley, Washington
May 20, 2024

**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, 2023**

2022-001 Auditor-Detected Journal Entries – Resolved in 2023

There were no unresolved findings from December 31, 2022, or prior.