A Component Unit of Roger Mills County, Oklahoma

Independent Auditor's Reports and Financial Statements

April 30, 2022 and 2021

A Component Unit of Roger Mills County, Oklahoma April 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital Cheyenne, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the enterprise fund of Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital (the Hospital), a component unit of Roger Mills County, Oklahoma, as of and for the years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the Hospital as of April 30, 2022 and 2021 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, 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.

Emphasis of Matter

As discussed in *Note 1*, the accompanying financial statements present only the enterprise fund of the Hospital and do not purport to, and do not, present fairly the financial position of the Hospital, as of April 30, 2022 and 2021 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. 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



Board of Trustees Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital Page 2

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 Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. 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 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 Hospital'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 Hospital'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 omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required

Board of Trustees Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital Page 3

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 August 3, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

FORVIS, LLP

Tulsa, Oklahoma August 3, 2023

A Component Unit of Roger Mills County, Oklahoma Balance Sheets April 30, 2022 and 2021

Assets

Current Assets		
Cash	\$ 3,101,593	\$ 4,833,304
Short-term certificates of deposit	8,734,253	9,619,717
Patient accounts receivable, net of allowance; 2022 – \$676,000,		
2021 - \$326,000	762,365	875,135
County appropriations receivable	97,548	59,844
Supplies	344,886	249,975
Prepaid expenses and other	61,615	96,480
Estimated amounts due from third-party payors	88,307	199,209
Total current assets	13,190,567	15,933,664
Noncurrent Certificate of Deposit	4,479,805	3,467,276
Capital Assets, Net	3,251,384	3,614,266
Total assets	\$ 20,921,756	\$ 23,015,206
Liabilities and Net Position		
Current Liabilities	-1.10	
Accounts payable	\$ 71,136	\$ 88,606
Unearned government grants	500.064	341,227
Accrued expenses	522,864	376,037
Estimated amounts due to third-party payors	1,655,307	768,800
Total current liabilities	2,249,307	1,574,670
Estimated Amounts Due to Third-Party Payors, Long-Term	133,000	1,538,683
Total liabilities	2,382,307	3,113,353
Net Position		
Net investment in capital assets	3,251,384	2,866,661
Unrestricted	15,288,065	17,035,192
Total net position	18,539,449	19,901,853
Total liabilities and net position	\$ 20,921,756	\$ 23,015,206

A Component Unit of Roger Mills County, Oklahoma Statements of Revenues, Expenses, and Changes in Net Position Years Ended April 30, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible		
accounts; 2022 - \$928,393, 2021 - \$1,038,952	\$ 6,584,071	\$ 6,102,489
EMS contract revenue	432,000	432,000
Other	244,120	660,419
Total operating revenues	7,260,191	7,194,908
Operating Expenses		
Salaries and wages	5,515,174	4,990,888
Employee benefits	1,107,048	1,018,796
Purchased services and professional fees	187,241	278,162
Supplies and other	2,418,821	2,345,258
Depreciation	468,526	417,834
Total operating expenses	9,696,810	9,050,938
Operating Loss	(2,436,619)	(1,856,030)
Nonoperating Revenues		
Noncapital appropriations – Roger Mills County	272,642	252,399
Investment income	136,386	276,581
Government grants	665,187	2,687,637
Gain from extinguishment of PPP loan		747,605
Total nonoperating revenues	1,074,215	3,964,222
Increase (Decrease) in Net Position	(1,362,404)	2,108,192
Net Position, Beginning of Year	19,901,853	17,793,661
Net Position, End of Year	\$ 18,539,449	\$ 19,901,853

A Component Unit of Roger Mills County, Oklahoma Statements of Cash Flows Years Ended April 30, 2022 and 2021

	2022	2021
Operating Activities		
Receipts from and on behalf of patients	\$ 6,362,718	\$ 7,891,166
Payments to suppliers and contractors	(2,683,578)	(2,831,473)
Payments to and on behalf of employees	(6,549,546)	(5,944,526)
Other receipts, net	676,120	1,092,419
Net cash provided by (used in) operating activities	(2,194,286)	207,586
Noncapital Financing Activities		
Noncapital appropriations – Roger Mills County	234,938	304,029
Government grants	323,960	2,794,564
Net cash provided by noncapital financing activities	558,898	3,098,593
Capital and Related Financing Activities		
Purchase of capital assets	(105,644)	(815,991)
Net cash used in capital and related financing activities	(815,991)	
Investing Activities		
Purchases of short-term certificates of deposit	(127,065)	(264,163)
Interest on investments	136,386	276,581
Net cash provided by investing activities	9,321	12,418
Increase (Decrease) in Cash	(1,731,711)	2,502,606
Cash, Beginning of Year	4,833,304	2,330,698
Cash, End of Year	\$ 3,101,593	\$ 4,833,304

A Component Unit of Roger Mills County, Oklahoma

Statements of Cash Flows, continued Years Ended April 30, 2022 and 2021

	 2022	2021
Reconciliation of Operating Loss to Net Cash Provided by (Used in)		
Operating Activities		
Operating loss	\$ (2,436,619)	\$ (1,856,030)
Depreciation	468,526	417,834
Provision for uncollectible accounts	928,393	1,038,952
Changes in operating assets and liabilities		
Patient accounts receivable, net	(741,472)	(1,121,684)
Estimated amounts due to or from third-party payors	(408,274)	1,871,409
Accounts payable and accrued expenses	55,206	(56,365)
Other assets and liabilities	 (60,046)	 (86,530)
Net cash provided by (used in) operating activities	\$ (2,194,286)	\$ 207,586
Noncash Investing, Capital, and Financing Activities		
Gain from extinguishment of PPP loan	\$ -	\$ 747,605

A Component Unit of Roger Mills County, Oklahoma

Notes to Financial Statements

April 30, 2022 and 2021

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

Nature of Operations and Reporting Entity

Roger Mills County Memorial Hospital (the Hospital) is operated under the Roger Mills County Hospital Authority (the Authority), a public trust. The Authority is a component unit of Roger Mills County, Oklahoma (the County). The Board of County Commissioners created the Authority to operate, control, and manage all matters concerning the Hospital. The Board of County Commissioners appoints the Board of Trustees of the Authority.

The accompanying financial statements present only the enterprise fund of the Authority. References to the Authority herein only refer to the activity of the enterprise fund.

The Authority operates the Hospital under a bargain lease agreement with the County. The one-year lease expires June 30 and is automatically renewable each year upon payment of the bargain lease rent. Upon termination of the lease, control of hospital operations reverts back to the County.

The Hospital, located in Cheyenne, Oklahoma, is a critical access hospital facility licensed to operate 15 beds and primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Roger Mills County area. The Hospital also operates a rural health clinic and ambulance service in the same area.

Basis of Accounting and Presentation

The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, county appropriations and federal grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific and interest income are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

A Component Unit of Roger Mills County, Oklahoma Notes to Financial Statements April 30, 2022 and 2021

liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2022, the Hospital held no cash equivalents.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from patients, third-party payors, and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market and determined using the first-in, first-out method.

Investments

Investments consist of non-negotiable certificates of deposit, which are carried at amortized cost. Investment income consists of interest income.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Buildings and improvements 10–40 years Equipment 4–20 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

A Component Unit of Roger Mills County, Oklahoma Notes to Financial Statements April 30, 2022 and 2021

No asset impairment was recognized during the years ended April 30, 2022 and 2021.

Compensated Absences

Hospital policies permit most employees to accumulate paid leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as paid leave benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net Position

Net position of the Hospital is classified in two components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation
 and reduced by the outstanding balances of borrowings used to finance the purchase or
 construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

A Component Unit of Roger Mills County, Oklahoma

Notes to Financial Statements

April 30, 2022 and 2021

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is designed to assess certain Oklahoma hospitals a supplemental hospital offset fee that will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation.

Critical access hospitals (CAH) are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. During the years ended April 30, 2022 and 2021, the Hospital received approximately \$296,000 and \$224,000, respectively, in SHOPP funds. SHOPP revenue is recorded as part of net patient service revenue on the accompanying statements of revenues, expenses, and changes in net position.

The annual amounts to be received by the Hospital over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds. Based on the current information available, the annual benefit to the Hospital for 2023 is expected to be consistent with amounts received in 2022.

County Appropriations

Effective December 1, 2013, the citizens of the County approved a 0.9% sales tax for the operations of the Hospital for a six-year term. In April 2019, this sales tax was renewed for another six-year term expiring November 2025. The County collects the sales tax and remits it monthly to the Hospital. The Hospital received approximately 4% and 3% of its financial support from county appropriations related to the sales tax during 2022 and 2021, respectively. Revenue from county appropriations is recognized in the year in which the sales tax is earned.

A Component Unit of Roger Mills County, Oklahoma

Notes to Financial Statements

April 30, 2022 and 2021

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- Medicare Inpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through April 30, 2020.
- **Medicaid** The Hospital is reimbursed for services rendered to patients covered by the state Medicaid program on a prospective per discharge or fee schedule method with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Approximately 84% and 83% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended April 30, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

At April 30, 2022 and 2021, approximately \$16,146,000 and \$17,920,000, respectively, of the Hospital's bank balances of approximately \$16,396,000 and \$17,670,000 were exposed to custodial credit risk as follows. All were uninsured with collateral held by the pledging institution.

A Component Unit of Roger Mills County, Oklahoma Notes to Financial Statements April 30, 2022 and 2021

Summary of Carrying Values

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

	2022	2021
Carrying value Deposits	\$ 16,315,651	\$ 17,920,297
Included in the following balance sheet captions Cash	\$ 3,101,593	\$ 4,833,304
Short-term certificates of deposit Noncurrent certificate of deposit	8,734,253 4,479,805 \$ 16,315,651	9,619,717 3,467,276 \$ 17,920,297

Investment Income

Investment income for the years ended April 30, 2022 and 2021 consisted of interest income.

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at April 30 consisted of:

		2021		
Medicare	\$	277,378	\$	488,592
Medicaid		116,049		36,839
Other third-party payors		170,743		216,451
Patients		874,195		459,253
		1,438,365		1,201,135
Less allowance for uncollectible accounts		676,000		326,000
	\$	762,365	\$	875,135

A Component Unit of Roger Mills County, Oklahoma Notes to Financial Statements April 30, 2022 and 2021

Note 5: Capital Assets

Capital assets activity for the years ended April 30 was:

	eginning Balance	Α	dditions	Disp	osals	Tran	sfers	Ending Balance
2022								
Land	\$ 3,000	\$	-	\$	-	\$	-	\$ 3,000
Buildings and improvements	5,397,930		55,250		-		-	5,453,180
Equipment	 4,286,435		50,394					 4,336,829
	 9,687,365		105,644					 9,793,009
Less accumulated depreciation								
Buildings and improvements	2,729,726		297,622		-		-	3,027,348
Equipment	3,343,373		170,904			-		 3,514,277
	6,073,099		468,526					 6,541,625
Capital assets, net	\$ 3,614,266	\$	(362,882)	\$		\$		\$ 3,251,384
2021								
Land	\$ 3,000	\$	-	\$	-	\$	-	\$ 3,000
Buildings and improvements	5,343,565		54,365		-		-	5,397,930
Equipment	 3,524,809		761,626					 4,286,435
	8,871,374		815,991					 9,687,365
Less accumulated depreciation								
Buildings and improvements	2,426,178		303,548		-		-	2,729,726
Equipment	 3,229,087		114,286					 3,343,373
	 5,655,265		417,834					 6,073,099
Capital assets, net	\$ 3,216,109	\$	398,157	\$		\$		\$ 3,614,266

Note 6: Long-Term Debt

Paycheck Protection Program Loan

In April 2020, the Hospital received a loan of \$747,605, including interest at 1%, through the Paycheck Protection Program (PPP) under the *Coronavirus Aid, Relief, and Economic Security Act*

A Component Unit of Roger Mills County, Oklahoma Notes to Financial Statements April 30, 2022 and 2021

(the CARES Act) and is guaranteed by the U.S Small Business Administration. In November 2020, the Hospital received notification that the entire loan balance was forgiven.

In 2021, the Hospital recognized the entire balance of the loan as gain from extinguishment of PPP loan on the accompanying statements of revenues, expenses, and changes in net position.

Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Charity Care

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

The estimated uncompensated costs associated with charity care services were approximately \$65,000 and \$30,000 for the years ended April 30, 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

In addition to uncompensated costs, the Hospital also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health education and promotion, blood pressure and cholesterol screenings, and health assessments. The expenses for these programs are included in operating expenses on the accompanying statements of revenues, expenses, and changes in net position.

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Notes to Financial Statements

April 30, 2022 and 2021

Note 9: Pension Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Hospital's Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital, expressed as a percentage of covered payroll, were 3.0% and 1.1% for 2022 and 3.2% and 1.2% for 2021, respectively. Contributions actually made by plan members and the Hospital aggregated approximately \$167,000 and \$62,000 during 2022 and \$157,000 and \$58,000 during 2021, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the Hospital's contributions after completion of three years of credible service with the Hospital. Nonvested hospital contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the years ended April 30, 2022 and 2021, no forfeitures were utilized.

Note 10: EMS Contract

The Hospital has a one-year contract with the Roger Mills County Emergency Medical Services (EMS) Board of Trustees to provide emergency services to the County's residents. The Hospital receives monthly compensation for services provided under the EMS contract. The contract may be renewed annually upon mutual consent of both parties. Included in operating revenues for the years ended April 30, 2022 and 2021 is \$432,000 for services rendered under the contract. Subsequent to year-end, this contract was renewed through June 30, 2023.

Note 11: Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

A Component Unit of Roger Mills County, Oklahoma
Notes to Financial Statements
April 30, 2022 and 2021

Note 12: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Funds

During the years ended April 30, 2022 and 2021, the Hospital received approximately \$289,000 and \$2,795,000, respectively, of distributions from the Provider Relief Fund (PRF) and *American Rescue Plan Act of 2021* (ARPA) Rural Payments fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services.

The Hospital is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses, the Hospital recognized approximately \$665,000 and \$2,688,000 related to the Provider Relief Fund for the years ended April 30, 2022 and 2021, respectively, and these payments are recorded as nonoperating revenues – government grants in the accompanying statements of revenues, expenses, and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as part of unearned government grants in the accompanying balance sheets.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the accompanying financial statements compared to the Hospital's Provider

A Component Unit of Roger Mills County, Oklahoma Notes to Financial Statements April 30, 2022 and 2021

Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advance Payments Program

During the year ended April 30, 2021, the Hospital requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29th month at a rate of 4%.

During the year ended April 30, 2021, the Hospital received approximately \$2,307,000 from these accelerated Medicare payment requests. As of April 30, 2022, CMS had recouped approximately \$519,000 of the accelerated Medicare payments. The unapplied amount of accelerated Medicare payment requests is recorded in estimated amounts due to third-party payors in the accompanying balance sheets.

Paycheck Protection Program Loan

The CARES Act and other subsequent legislation also provides a Small Business Administration loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of \$747,605 in April 2020. The loan had an interest rate of 1%, with payments of \$42,073 due monthly starting six months after the receipt of the loan.

The Hospital is accounting for the PPP loan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. See *Note 6* for additional information.

In November 2020, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue on the accompanying statements of revenues, expenses, and changes in net position.



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Trustees Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital Cheyenne, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the enterprise fund of Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital (the Hospital), a component unit of Roger Mills County, Oklahoma, which comprise the balance sheet as of April 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated August 3, 2023, which contained an "Emphasis of Matter" paragraph regarding the reporting entity and a "Required Supplementary Information" paragraph regarding omission of management's discussion and analysis, which is required supplementary information.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 may exist that have not been identified.



Board of Trustees Roger Mills County Hospital Authority d/b/a Roger Mills County Memorial Hospital

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

FORVIS, LLP

Tulsa, Oklahoma August 3, 2023

A Component Unit of Roger Mills County, Oklahoma Schedule of Findings and Responses Year Ended April 30, 2022

Reference	
Number	Finding

No matters are reportable.