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Trego County-Lemke Memorial Hospital

A Component Unit of Trego County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Trego County-Lemke Memorial Hospital
A Component Unit of Trego County, Kansas
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Trego County-Lemke Memorial Hospital
WaKeeney, Kansas

Opinion

We have audited the financial statements of Trego County-Lemke Memorial Hospital, a component unit of Trego County, Kansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Trego County-Lemke Memorial 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 Trego County-Lemke Memorial Hospital as of December 31, 2022, and the changes in financial position and its cash flows for the year 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 Trego County-Lemke Memorial Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2021 financial statements were audited by other auditors, and their report thereon, dated September 15, 2022, expressed an unmodified 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 Trego County-Lemke Memorial 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.

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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 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 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, 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 Trego County-Lemke Memorial 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 Trego County-Lemke Memorial 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 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 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

Wichita, Kansas
November 1, 2023

Trego County-Lemke Memorial Hospital
A Component Unit of Trego County, Kansas
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash and cash equivalents	$ 1,509,250	$ 3,793,230
Patient accounts receivable, net of allowance; 2022 - $389,002, 2021 - $476,198	1,722,877	1,746,893
Other receivables	185,534	269,428
Estimated amounts due from third-party payers	473,697	10,755
Supplies	203,284	193,919
Prepaid expenses and other	162,316	139,980
Total current assets	4,256,958	6,154,205
Assets Limited as to Use	4,487,110	4,173,889
Capital Assets, Net	3,093,175	3,201,252
Lease Assets, Net	461,128	334,295
Total assets	$ 12,298,371	$ 13,863,641

See Notes to Financial Statements

Liabilities and Net Position

	2022	2021
Current Liabilities		
Current maturities of long-term debt	$ 6,941	$ 26,754
Current portion of lease liabilities	60,876	26,655
Accounts payable	436,104	536,106
Accrued salaries, wages, and benefits	518,748	453,422
Accrued paid time off	795,746	710,502
Unearned revenue	-	1,278,742
Total current liabilities	1,818,415	3,032,181
Other Liabilities		
Long-term debt	-	6,941
Lease liabilities	407,092	307,640
Total liabilities	2,225,507	3,346,762
Net Position		
Net investment in capital assets	3,086,234	3,167,557
Unrestricted	6,966,892	7,349,322
Restricted - expendable for specific operating activities	19,738	-
Total net position	10,072,864	10,516,879
Total liabilities and net position	$ 12,298,371	$ 13,863,641

Trego County-Lemke Memorial Hospital
A Component Unit of Trego County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $230,297, 2021 - $299,387	$ 15,550,128	$ 15,122,101
Other	1,495,416	1,446,605
Total operating revenues	17,045,544	16,568,706
Operating Expenses		
Salaries and wages	9,233,291	9,323,386
Employee benefits	2,662,325	2,588,717
Supplies and other	7,500,316	6,946,184
Depreciation and amortization	544,074	463,063
Total operating expenses	19,940,006	19,321,350
Operating Loss	(2,894,462)	(2,752,644)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Trego County	700,000	700,000
Noncapital grants and gifts	295,170	11,203
Interest income	26,839	14,571
Interest expense	(18,634)	(3,137)
Gain on disposal of capital assets	9,733	-
Provider Relief Funds (*CARES Act*)	1,278,742	4,213,654
Paycheck Protection Program (PPP) loan forgiveness	-	1,878,200
Total nonoperating revenues	2,291,850	6,814,491
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts	(602,612)	4,061,847
Capital Grants and Gifts	158,597	254,735
Increase (Decrease) in Net Position	(444,015)	4,316,582
Net Position, Beginning of Year	10,516,879	6,200,297
Net Position, End of Year	$ 10,072,864	$ 10,516,879

Trego County-Lemke Memorial Hospital
A Component Unit of Trego County, Kansas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Receipts from and on behalf of patients	$ 15,337,954	$ 16,420,189
Payments to suppliers and contractors	(7,658,893)	(7,084,802)
Payments to employees	(11,745,046)	(11,831,760)
Other receipts, net	1,352,558	1,105,101
Net cash used in operating activities	(2,713,427)	(1,391,272)
Noncapital Financing Activities		
Interest Paid	-	(167)
Repayment of Medicare accelerated payments	-	(2,295,499)
Provider Relief Funds (*CARES Act*)	-	1,522,105
Noncapital appropriations - Trego County	700,000	700,000
Noncapital grants and gifts	295,170	11,203
Net cash provided by (used in) noncapital financing activities	995,170	(62,358)
Capital and Related Financing Activities		
Capital grants and gifts	158,597	254,735
Principal paid on long-term debt	(26,754)	(28,561)
Principal paid on leases payable	(34,018)	
Interest paid on long-term debt	(18,634)	(2,970)
Proceeds from disposal of equipment	12,300	-
Purchases of capital assets	(370,832)	(821,035)
Net cash used in capital and related financing activities	(279,341)	(597,831)
Investing Activities		
Interest income received	26,839	14,571
Net cash provided by investing activities	26,839	14,571
Decrease in Cash	(1,970,759)	(2,036,890)
Cash, Beginning of Year	7,967,119	10,004,009
Cash, End of Year	$ 5,996,360	$ 7,967,119

Trego County-Lemke Memorial Hospital
A Component Unit of Trego County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,509,250	$ 3,793,230
Cash in noncurrent cash	4,487,110	4,173,889
Total cash	$ 5,996,360	$ 7,967,119
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (2,894,462)	$ (2,752,644)
Depreciation and amortization	544,074	463,063
Provision for uncollectible accounts	230,297	299,387
Change in operating assets and liabilities		
Patient accounts receivable	(206,281)	(485,024)
Estimated amounts due from and to third-party payers	(462,942)	1,302,257
Other Receivables	83,894	(160,035)
Supplies	(9,365)	(24,395)
Prepaid expenses and other	(22,336)	4,092
Accounts payable	(126,876)	(98,185)
Accrued expenses	150,570	60,212
Net cash used in operating activities	$ (2,713,427)	$ (1,391,272)
Supplemental Cash Flows Information		
Lease obligations incurred for lease assets	$ 167,691	$ 334,295
Capital asset additions in accounts payable	$ 26,874	$ -

Trego County-Lemke Memorial Hospital
A Component Unit of Trego County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

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

Nature of Operations and Reporting Entity

Trego County-Lemke Memorial Hospital (Hospital) provides acute, long-term care services, rural health clinic services and assisted living services. The Hospital was created by statute and its Board of Trustees is appointed by the Trego County Board of Commissioners. The Hospital is located in WaKeeney, Kansas and is considered a component unit of Trego County (County). The Hospital is licensed as a Critical Access Hospital (CAH) with a bed capacity of 25 beds.

Basis of Accounting and Presentation

The 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, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt 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, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022, the hospital does not have any cash equivalents.

Noncapital Appropriations – Trego County

The Hospital received approximately 4% in 2022 and 2021 of its financial support from noncapital appropriations from the County property tax levy. These funds were used to support operations in both years.

Property taxes are levied by the County on the Hospital's behalf on January 1 and are intended to finance the Hospital's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Revenue from property taxes is recognized in the year for which the taxes are levied.

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 other than employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Noncurrent Cash

Noncurrent cash include (1) assets restricted by donors for specific operating activities, and (2) assets set aside by the Board of Trustees for future capital improvements over which the Board of Trustees retains control and may at its direction subsequently use for other purposes.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients 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, determined using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10-15 years
Buildings	35-40 years
Fixed equipment	5-20 years
Moveable equipment	5-20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick 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 vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consist of capital and lease assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by donors external to the Hospital. Unrestricted net position is remaining assets less remaining liabilities that do not meet the above conditions.

Net Patient Service Revenue

The Hospital has agreements with third-party payers 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 payers 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.

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 entity, 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. The Hospital has also been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds 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 HHS. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments

are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Note 2: Net Patient Service Revenue

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

Medicare. The Hospital is licensed as a critical access hospital, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. The Hospital is reimbursed at tentative rates with final settlements determined after submission of annual cost reports by the Hospital and reviews thereof by the Kansas Department of Health and Environment. Services rendered for long-term care facility residents are reimbursed under a cost-based prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are computed each calendar quarter using an average of the 2010, 2011 and 2012 cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 75% and 71% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 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 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.

Net patient service revenue consists of the following for the years ended December 31:

	2022	2021
Gross patient service revenue	$ 19,849,435	$ 19,959,313
Contractual adjustments		
Medicare	(2,620,282)	(3,201,841)
Medicaid	(34,354)	(94,710)
Blue Cross	(719,255)	(598,465)
Other	(539,195)	(557,901)
Administrative adjustments	(73,040)	(43,230)
Charity care	(82,884)	(41,678)
Provision for uncollectible accounts	(230,297)	(299,387)
	$ 15,550,128	$ 15,122,101

Note 3: Deposits

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.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2022 and 2021, respectively, $5,992,587 and $7,145,812 of the Hospital's bank balances of $6,418,094 and $8,045,078 was exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 5,992,587	$ 7,620,048

Summary of Carrying Amounts

The carrying amounts of deposits are included in the Hospital's balance sheets as follows:

	2022	2021
Carrying value of deposits	$ 5,996,360	$ 7,967,119
Included in the following balance sheet captions		
Cash	$ 1,509,250	$ 3,793,230
Noncurrent cash	4,487,110	4,173,889
	$ 5,996,360	$ 7,967,119

At December 31, 2022 and 2021, the Hospital had bank balances of $395,653 that were uninsured and uncollateralized.

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2022	2021
Medicare	$ 1,040,491	$ 1,033,171
Medicaid	87,519	69,684
Blue Cross	(13,622)	131,398
Other third-party payers	298,101	288,598
Self-pay	699,390	700,240
	2,111,879	2,223,091
Less allowance for uncollectible accounts	(389,002)	(476,198)
	$ 1,722,877	$ 1,746,893

Note 5: Capital and Lease Assets

Capital assets activity for the years ended December 31 was:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 2,500	$ -	$ -	$ 2,500
Land improvements	108,934	-	-	108,934
Buildings	7,323,569	-	-	7,323,569
Fixed equipment	3,037,205	-	-	3,037,205
Moveable equipment	4,262,147	311,894	(215,136)	4,358,905
Construction in progress	138,531	85,812	-	224,343
	14,872,886	397,706	(215,136)	15,055,456
Less accumulated depreciation				
Land improvements	(108,921)	(13)	-	(108,934)
Buildings	(5,782,161)	(162,473)	-	(5,944,634)
Fixed equipment	(2,710,788)	(36,176)	-	(2,746,964)
Moveable equipment	(3,069,764)	(304,554)	212,569	(3,161,749)
	(11,671,634)	(503,216)	212,569	(11,962,281)
Capital assets, net	$ 3,201,252	$ (105,510)	$ (2,567)	$ 3,093,175

	2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 2,500	$ -	$ -	$ 2,500
Land improvements	108,934	-	-	108,934
Buildings	7,288,968	34,601	-	7,323,569
Fixed equipment	2,968,846	68,359	-	3,037,205
Moveable equipment	4,025,956	632,989	(396,798)	4,262,147
Construction in progress	-	138,531	-	138,531
	14,395,204	874,480	(396,798)	14,872,886
Less accumulated depreciation				
Land improvements	(108,896)	(25)	-	(108,921)
Buildings	(5,622,000)	(160,161)	-	(5,782,161)
Fixed equipment	(2,678,884)	(31,904)	-	(2,710,788)
Moveable equipment	(3,195,589)	(270,973)	396,798	(3,069,764)
	(11,605,369)	(463,063)	396,798	(11,671,634)
Capital assets, net	$ 2,789,835	$ 411,417	$ -	$ 3,201,252

Lease assets activity for the years ended December 31 was:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	$ 334,295	$ -	$ -	$ 334,295
Moveable equipment	-	167,691	-	167,691
	334,295	167,691	-	501,986
Less accumulated amortization	-	(40,858)	-	(40,858)
Lease assets, net	$ 334,295	$ 126,833	$ -	$ 461,128

	2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	$ -	$ 334,295	$ -	$ 334,295
Less accumulated amortization	-	-	-	-
Lease assets, net	$ -	$ 334,295	$ -	$ 334,295

Note 6: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,131,471 and $1,047,857 for the years ending December 31, 2022 and 2021, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $893,076 and $967,717 for the years ending December 31, 2022 and 2021, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 7: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. The policy has limits of $200,000 per occurrence up to an annual aggregate of $600,000. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

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 claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Long-term Obligations

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

	2022					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt	$ 33,695	$ -	$ (26,754)	$ 6,941	$ 6,941	$ -
Lease liabilities	334,295	167,691	(34,018)	467,968	-	467,968
	$ 367,990	$ 167,691	$ (60,772)	$ 474,909	$ 6,941	$ 467,968

	2021					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt	$ 62,256	$ -	$ (28,561)	$ 33,695	$ 26,754	$ 6,941
Lease liabilities	-	334,295	-	334,295	26,655	307,640
PPP loan	1,878,200	-	(1,878,200)	-	-	-
	$ 1,940,456	$ 334,295	$ (1,906,761)	$ 367,990	$ 53,409	$ 314,581

Lease Liabilities

The Hospital leases property and equipment, the terms of which expire in various years through 2031.

The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending June,	Total To Be Paid	Principal	Interest
2023	$ 82,499	$ 60,876	$ 21,623
2024	82,500	63,991	18,509
2025	79,900	64,643	15,257
2026	76,260	64,187	12,073
2027	70,611	61,811	8,800
2028-2031	166,741	152,460	14,281

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $1,878,200 in 2020. The Hospital received legal notice on February 10, 2021, that the PPP loan was forgiven in its entirety.

Note 9: Revenue Pledge Agreement

The Hospital has entered into a revenue pledge agreement with the County to fund a portion of the County's bond debt service. In February 2022, the County issued $12,870,000 in Series 2022 General Obligation Refunding and Improvement Bonds. The bond proceeds will be used to make various improvements to the Hospital, however, the County is the legal obligor of the bonds. The Hospital has pledged to pay a portion of the annual debt service from its revenues. Under the revenue pledge agreement, the County will contribute a minimum of $458,530 each year for debt service. Annual debt service will range from approximately $260,000 to $930,000 over the life of the bonds. For the amounts in excess of the County's contribution, the Hospital has entered into a pledge of revenues agreement with the County for the remaining annual debt service. Under the terms of the pledge agreement, the Hospital has certain restrictions related to obtaining future borrowings or making additional pledges of its revenues while the bonds remain outstanding.

Annual debt service for 2023 is less than $458,530, as such the Hospital is not scheduled to make any payments for debt service and no liability has been recorded.

Note 10: Pension Plans

Defined Contribution Plans

The Hospital maintains a contributory pension plan for eligible employees. Eligibility is established by all employees 21 years of age or older and have completed one year of service. Employer contributions are computed at the rate of 4.5% of annual compensation plus 9% of the excess over $7,800. Employee contributions are computed at the rate of 2.5% of annual compensation plus 5% of the excess over $7,800. Benefits are funded by an annuity contract with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. Benefits vest after one year of service with 100% vesting after five years of service. In case of the death or termination of an employee prior to retirement, all funds contributed by the Hospital, which are not vested, will be returned to the Hospital. Contributions actually made by plan members totaled $545,896 and $531,108 in 2022 and 2021, respectively. Hospital contributions totaled $644,569 and $618,201 in 2022 and 2021, respectively.

The Hospital provides a 403(b) plan to substantially all employees of the Hospital. The employees' total salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are always 100% vested in the contributions they choose to defer. If an employee is 50 years old or older and has met the annual IRS deferral limit, the employee may contribute a catch-up deferral that is also limited by the IRS annually. The Hospital does not make contributions to the 403(b) plan.

Deferred Compensation Plan

The Hospital maintains a 457 plan for all eligible employees. Eligibility is established by all employees who elect to participate in the plan by executing a written participation agreement. The employee may contribute up to $7,500 of their gross compensation per year. Employee contributions to all benefit plans cannot exceed 25% of their gross compensation per year. Benefits are funded by fixed and variable annuities with an insurance company. The Hospital does not make contributions to the 457 plan.

Note 11: Management/Services Agreement

The Board of Trustees of the Hospital has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management and data processing services. The terms of the agreements vary from one to seven years and can be canceled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital totaled $777,892 and $700,127 in 2022 and 2021, respectively. Amounts included in accounts payable related to these services totaled $2,198 and $2,857 at December 31, 2022 and 2021, respectively.

Note 12: Trego Hospital Endowment Foundation, Inc.

The Trego Hospital Endowment Foundation, Inc. (Foundation) is a not-for-profit corporation established to improve medical services to the patients in the area served by the Hospital. The Foundation is not considered a component unit of the Hospital. Foundation contributions to the Hospital of $20,009 and $16,477 in 2022 and 2021, respectively, have been included in the Hospital's statements of revenues, expenses and changes in net position as capital grants and gifts.

Note 13: Great Plains Employee Benefits Trust

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No such insurance assessment was administered to the Hospital for the years ended December 31, 2022 and 2021, and management does not anticipate that an assessment will be required for the plan year ended June 30, 2023.

Note 14: COVID-19 Pandemic and *CARES Act* Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (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.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

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 Fund

During the years ended December 31, 2022 and 2021, the Hospital received $0 and $1,078,742 of distributions from the *CARES Act* Provider Relief Fund (collectively the Provider Relief 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 Department of Health and Human Services.

The Hospital accounts for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions 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 through December 31, 2022 and 2021, the Hospital recognized $1,278,242 and $4,213,654, respectively, related to the Provider Relief Fund, rural health clinic testing and SPARK funds, and these payments are recorded as nonoperating revenues – *CARES Act* funding in the statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $0 and $1,278,242 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

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 Funds 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 the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During fiscal year 2020, 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, such as the Hospital. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period 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 withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the Hospital received $2,295,499 from these accelerated Medicare payment requests. During the year ended December 31, 2022, the Hospital paid off the Medicare accelerated payments in full.

Paycheck Protection Program (PPP) Loan

During fiscal year 2020, the Hospital received a PPP loan of $1,878,200 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on February 10, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Supplementary Information

Trego County-Lemke Memorial Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		$ -	$ 1,158,999
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		-	200,000
Passed Through Kansas Department of Health and Environment				
Small Rural Hospital Improvement Grant Program	93.301	None	-	257,367
Total Department of Health and Human Services			$ -	$ 1,616,366

Trego County-Lemke Memorial Hospital

Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Trego County-Lemke Memorial Hospital under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Trego County-Lemke Memorial Hospital, it is not intended to and does not present the financial position, changes in net position or cash flows of Trego County-Lemke Memorial Hospital.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

Trego County-Lemke Memorial Hospital has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Donated Personal Protective Equipment

Trego County-Lemke Memorial Hospital did not receive any donated Personal Protective Equipment (PPE) during the year ended December 31, 2022, (Unaudited).

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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
Trego County-Lemke Memorial Hospital
WaKeeney, Kansas

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 (*Government Auditing Standards*), the financial statements of Trego County-Lemke Memorial Hospital, which comprise Trego County-Lemke Memorial Hospital's balance sheet as of December 31, 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 reports thereon dated November 1, 2023, which contained a paragraph regarding omission of management's discussion and analysis.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trego County-Lemke Memorial 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 Trego County-Lemke Memorial Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of Trego County-Lemke Memorial 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trego County-Lemke Memorial 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

Wichita, Kansas
November 1, 2023

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Trego County-Lemke Memorial Hospital
WaKeeney, Kansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Trego County-Lemke Memorial Hospital's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Trego County-Lemke Memorial Hospital's major federal program for the year ended December 31, 2022. Trego County-Lemke Memorial Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Trego County-Lemke Memorial Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Trego County-Lemke Memorial Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Health Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Trego County-Lemke Memorial Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

FORVIS, LLP

Wichita, Kansas
November 1, 2023

Trego County-Lemke Memorial Hospital

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ **Unmodified** ☐ **Qualified** ☐ **Adverse** ☐ **Disclaimer**

2. Internal control over financial reporting:

   Significant deficiencies identified? ☐ **Yes** ☒ **None reported**

   Material weaknesses identified? ☐ **Yes** ☒ **No**

3. Noncompliance material to the financial statements noted?

   ☐ **Yes** ☒ **No**

Federal Awards

4. Internal control over major federal awards programs:

   Significant deficiencies identified? ☐ **Yes** ☒ **None reported**

   Material weaknesses identified? ☐ **Yes** ☒ **No**

5. Type of auditor's report issued on compliance for the major federal award program:

   ☒ **Unmodified** ☐ **Qualified** ☐ **Adverse** ☐ **Disclaimer**

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?

   ☐ **Yes** ☒ **No**

7. Identification of the major federal program:

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

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☐ **Yes** ☒ **No**

Trego County-Lemke Memorial Hospital

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2022

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Trego County-Lemke Memorial Hospital

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

Reference Number	Summary of Finding	Status
2021-001	***Estimated Cost Report Settlements:*** The Hospital is a critical access hospital (CAH) for purposes of the Medicare program and should consider the costs and benefits of estimating the cost report settlement on a monthly basis.	Resolved