Independent Auditor's Report and Financial Statements

Goodland Regional Medical Center

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Goodland Regional Medical Center

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Goodland Regional Medical Center (Medical Center), a component unit of Sherman County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Medical Center as of December 31, 2021 and 2020, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Kansas Municipal Audit and Accounting Guide for the audit of the financial statements as of and for the year ended December 31, 2021. The audit of the financial statements as of and for the year ended December 31, 2020, was not conducted under *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 Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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 generally accepted auditing standards, *Government Auditing Standards,* and the Kansas Municipal Audit and Accounting Guide will always detect a material misstatement when it exists.

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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 generally accepted auditing standards, *Government Auditing Standards*, and the Kansas Municipal Audit and Accounting Guide, 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 Medical Center'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 Medical Center'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

The Medical Center has omitted a 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 Medical Center's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 July 14, 2022, on our consideration of the Medical Center'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 Medical Center'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 Medical Center's internal control over financial reporting and compliance.



Topeka, Kansas
July 14, 2022

Financial Statements

Goodland Regional Medical Center
Statements of Net Position
December 31,

Assets

	2021	2020
Current assets		
Cash and invested cash	$16,504,128	$15,784,120
Patient accounts receivable, net of allowance for uncollectible accounts of $3,198,528 in 2021 and $1,689,693 in 2020 (Note A5)	2,765,355	2,067,719
Other receivables	75,543	100,593
Inventories (Note A6)	619,427	644,786
Prepaid expenses	133,349	64,936
Total current assets	20,097,802	18,662,154
Assets whose use is limited		
By Board of Trustees (Note D)	667,753	651,294
Capital assets - net (Notes A7 and E)	3,613,140	3,226,315
Total assets	$24,378,695	$22,539,763

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2021	2020
Current liabilities		
Current portion of capital lease obligations (Note I)	$ 354,050	$ 275,433
Accounts payable and other accrued expenses	1,139,020	1,338,305
Salaries, wages, and related withholdings payable	475,541	395,088
Accrued compensated absences	399,938	417,816
Unearned COVID-19 grant revenue (Note G)		876,624
Medicare and Blue Cross accelerated payments (Note H)	3,491,229	1,803,097
Estimated settlements due to third-party payors (Note C)	1,428,071	1,109,603
Total current liabilities	7,287,849	6,215,966
Long-term liabilities		
Capital lease obligations, excluding current portion (Note I)	1,158,772	1,069,429
Medicare accelerated payments, excluding current portion (Note H)		3,237,481
Total long-term liabilities	1,158,772	4,306,910
Total liabilities	8,446,621	10,522,876
Net position (Note A8)		
Invested in capital assets, net of related debt	2,100,318	1,881,453
Unrestricted	13,831,756	10,135,434
Total net position	15,932,074	12,016,887
Total liabilities and net position	$ 24,378,695	$ 22,539,763

Goodland Regional Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Year ended December 31,

	2021	2020
Operating revenues		
Net patient service revenue	$19,301,980	$17,100,139
Other	1,436,085	1,419,563
Total operating revenue	20,738,065	18,519,702
Operating expenses		
Salaries and wages	7,214,104	6,697,298
Employee benefits	1,597,247	1,615,912
Supplies	4,257,735	4,535,231
Purchased services	1,225,042	1,284,747
Professional fees	3,520,158	3,135,099
Lease expense	317,432	160,906
Utilities	275,964	298,168
Insurance	116,088	107,584
Travel	11,332	27,059
Other	191,883	196,877
Depreciation and amortization	779,095	716,344
Total operating expenses	19,506,080	18,775,225
Operating income (loss)	1,231,985	(255,523)
Nonoperating revenues (expenses)		
County appropriations	689,500	643,750
Interest income	2,164	9,567
Interest expense	(29,271)	(34,706)
Gain on disposal of assets	445	234,590
SBA PPP loan forgiveness		1,643,057
COVID-19 grant revenues	1,658,758	3,415,295
Noncapital grants and contributions	53,394	163,433
Total nonoperating revenues (expenses), net	2,374,990	6,074,986
Revenues over expenses before capital grants and contributions	3,606,975	5,819,463
Capital grants and contributions	308,212	215,570
Change in net position	3,915,187	6,035,033
Net position at beginning of year	12,016,887	5,981,854
Net position at end of year	$15,932,074	$12,016,887

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Statements of Cash Flows
Year ended December 31,

	2021	2020
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 18,922,812	$ 18,042,499
Payments to or on behalf of employees	(8,748,776)	(8,209,898)
Payments to suppliers	(10,089,430)	(9,410,396)
Other receipts and payments	1,436,085	1,419,563
Net cash provided by operating activities	1,520,691	1,841,768
Cash flows from noncapital financing activities		
County appropriations	689,500	643,750
Proceeds from CARES Act funding	782,134	4,291,919
Proceeds from Medicare and Blue Cross accelerated payments		5,040,578
Repayment of Medicare and Blue Cross accelerated payments	(1,549,349)	
Proceeds from SBA PPP loan		1,643,057
Noncapital grants and contributions	53,394	163,433
Net cash provided (used) by noncapital financing activities	(24,321)	11,782,737
Cash flows from capital and related financing activities		
Purchase of capital assets	(727,561)	(342,035)
Contributions for purchase of capital assets	308,212	215,570
Proceeds from disposal of capital assets	445	359,625
Capital lease obligations incurred		36,670
Payments on capital lease obligations	(313,892)	(322,547)
Interest paid	(29,271)	(34,706)
Net cash used by capital and related financing activities	(762,067)	(87,423)
Cash flows from investing activities		
Student loans funded		(541)
Interest received	2,164	9,567
Net cash provided by investing activities	2,164	9,026
Change in cash and cash equivalents	736,467	13,546,108
Cash and cash equivalents at beginning of year	16,435,414	2,889,306
Cash and cash equivalents at end of year	$ 17,171,881	$ 16,435,414

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Statements of Cash Flows - Continued
Year ended December 31,

	2021	2020
Reconciliation of cash and cash equivalents to the statements of financial position		
Cash and cash equivalents included in current assets	$ 16,504,128	$ 15,784,120
Cash included in assets whose use is limited	667,753	651,294
	$ 17,171,881	$ 16,435,414
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 1,231,985	$ (255,523)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	779,095	716,344
Provision for bad debts	1,330,036	1,757,062
Amortization of student and other loans	908	2,429
Changes in		
Accounts receivable	(2,003,530)	(1,426,995)
Net amounts due to/from third-party payors	318,468	626,918
Inventories and prepaid expenses	(43,054)	(63,815)
Accounts payable and accrued expenses	(93,217)	485,348
Net cash provided by operating activities	$ 1,520,691	$ 1,841,768
Supplemental schedule of noncash financing activities		
Capital lease obligations incurred	$ 481,852	$ -

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Notes to Financial Statements
December 31, 2021 and 2020

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Financial reporting entity

Goodland Regional Medical Center (Medical Center) is located in Goodland, Kansas, and operates a 25-bed hospital. The Medical Center also provides rural health clinic services to the community. The Medical Center is owned by Sherman County, Kansas (County), and is governed by a five-member Board of Trustees appointed by the County Commissioners. The Medical Center is a component unit of the County.

The Northwest Kansas Area Medical Foundation, Inc. (Foundation), is a component unit of the Medical Center. Management has determined that the assets of the Foundation as of December 31, 2021 and 2020, are not material to the financial statements of the Medical Center and, thus, the 2021 and 2020 financial statements do not include the financial data of the Foundation.

2. Basis of accounting

The Medical Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Cash and cash equivalents

The Medical Center considers all highly-liquid investment instruments, including assets whose use is limited, purchased with a maturity of six months or less to be cash and cash equivalents.

5. Patient accounts receivable

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

6. Inventories

Inventories are stated at the lower of cost as determined by the first-in, first-out method or net realizable value.

7. Capital assets

Capital assets (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of capital assets is provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

8. Net position

Net position is classified in two components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding 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 "invested in capital assets net of related debt."

9. Operating revenues and expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services which is the Medical Center's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services other than financing costs.

10. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, the provision for bad debts, and contractual adjustments, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

11. Charity care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

12. Grants and contributions

From time to time, the Medical Center receives grants and contributions from individuals and other organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

13. Income taxes

The Medical Center is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

14. Subsequent events

The Medical Center has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Note B - Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under its charity care policy for 2021 and 2020, was $97,346 and $58,812, respectively. The Medical Center estimates that the cost of providing charity care, based on overall cost to charge ratios obtained from the Medical Center's cost reports, was $48,000 and $29,000 for 2021 and 2020, respectively.

Note C - Reimbursement Programs

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated settlements due to/from third-party payors consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Medical Center under the critical access hospital provisions are primarily based on various cost reimbursement methodologies. Outpatient dialysis and physician services are generally paid at prospectively determined rates. The Medical Center is paid for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Medical Center and audits or reviews thereof by the Medicare administrative contractor. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2019.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries are also paid at prospective rates determined on either a per diem or fee-for-service basis. The Medical Center receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. The Medical Center also receives disproportionate share hospital payments based on uncompensated care related to Medicaid and uninsured patients. Third-party contractual adjustments include approximately $366,000 and $349,000 of disproportionate share Medicaid payments received by the Medical Center for the years ended December 31, 2021 and 2020, respectively.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross and Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

Note C - Reimbursement Programs - Continued

A summary of gross and net patient service revenue follows:

	2021	2020
Gross patient service revenue	$ 39,449,128	$ 35,435,843
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(18,719,766)	(16,519,830)
Provision for bad debts	(1,330,036)	(1,757,062)
Charity care	(97,346)	(58,812)
Net patient service revenue	$ 19,301,980	$ 17,100,139

Note D - Assets Whose Use is Limited by Board of Trustees

Assets whose use is limited by Board of Trustees consist of invested cash to be used for replacement of capital assets or for the purchase of additional capital assets. The funds may be used for other purposes by action of the Board of Trustees.

Note E - Capital Assets

Medical Center capital assets additions, retirements, and balances are as follows:

	2021			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Land and land improvements	$ 294,998	$ -	$ -	$ 294,998
Buildings	3,774,583			3,774,583
Fixed equipment	2,092,725	7,400	14,636	2,085,489
Major movable equipment	10,669,354	1,157,932		11,827,286
Construction in progress	13,211	589		13,800
Totals at historical cost	16,844,871	1,165,921	14,636	17,996,156
Less accumulated depreciation and amortization				
Land improvements	207,273	2,053		209,326
Buildings	3,290,894	38,185		3,329,079
Fixed equipment	1,491,635	81,282	14,636	1,558,281
Major movable equipment	8,628,754	657,576		9,286,330
Total accumulated depreciation and amortization	13,618,556	779,096	14,636	14,383,016
Capital assets, net	$ 3,226,315	$ 386,825	$ -	$ 3,613,140

Note E - Capital Assets - Continued

	2020			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Land and land improvements	$ 285,748	$ 9,250	$ -	$ 294,998
Buildings	3,774,583			3,774,583
Fixed equipment	2,092,725			2,092,725
Major movable equipment	11,255,469	368,980	955,095	10,669,354
Construction in progress	5,913	7,298		13,211
Totals at historical cost	17,414,438	385,528	955,095	16,844,871
Less accumulated depreciation and amortization				
Land improvements	205,683	1,590		207,273
Buildings	3,240,262	50,632		3,290,894
Fixed equipment	1,408,111	83,524		1,491,635
Major movable equipment	8,878,216	580,598	830,060	8,628,754
Total accumulated depreciation and amortization	13,732,272	716,344	830,060	13,618,556
Capital assets, net	$ 3,682,166	$ (330,816)	$ 125,035	$ 3,226,315

Note F - SBA PPP Loan Payable

On May 4, 2020, the Medical Center was granted a $1,643,057 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Medical Center was eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements, including maintaining employment levels during the covered period and using the funds for certain payroll, rent, and utility expenses. The loan balance was forgiven in full as of November 12, 2020, and the Medical Center was legally released from the loan obligation by the SBA. The loan forgiveness is included in nonoperating revenues on the statement of revenues, expenses, and changes in net position for the year ended December 31, 2020.

Note G - Unearned COVID-19 Grant Revenue

Unearned COVID-19 grant revenue consists of federal financial assistance through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, and subsequent legislation, received from the United States Department of Health and Human Services (HHS) and the Kansas Department of Health and Environment (KDHE). The provider relief funds are to be used to prevent, prepare for, and respond to coronavirus and to reimburse the Medical Center for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus, until such eligibility requirements are met. The rural health clinic testing grants are to be used to support coronavirus testing and related expenses in the rural health clinic. The KDHE funds were used to retain frontline healthcare workers. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned income until the conditions have been satisfied. The Medical Center has determined that the

Note G - Unearned COVID-19 Grant Revenue - Continued

conditions have been met for recognizing revenue of $1,658,758 and $3,415,295 in 2021 and 2020, respectively. These amounts are included in nonoperating revenues and expenses as COVID-19 grant revenue. The terms and conditions of the programs are complex and subject to interpretation and evolving guidance. As a result, there is a reasonable possibility that recorded amounts could change by a material amount in the near term. The following table provides information about significant changes in unearned revenue for the years ended December 31:

	2021	2020
Unearned revenue at beginning of year	$ 876,624	$ -
HHS provider relief funds received	582,641	4,242,457
HHS rural health clinic testing funds received	100,000	49,462
KDHE frontline healthcare worker funds received	99,493	
Funds recognized to income	(1,658,758)	(3,415,295)
Unearned revenue at end of year	$ -	$ 876,624

Note H - Medicare and Blue Cross Accelerated Payments

The CARES Act provided for a temporary expansion of Medicare's ability to provide accelerated (advance) payments due to claim disruption or unusual operating circumstances. In April 2020, the Medical Center requested and received advances under this program in response to the coronavirus pandemic totaling $5,017,480. Medicare will recoup the payments by offsetting future claim and settlement payments due to the Medical Center for services rendered to Medicare beneficiaries. The Continuing Appropriations Act, 2021 and Other Extensions Act amended the repayment (recoupment) terms of the accelerated payments. Recoupment will begin April 2021. For the first 11 months, the recoupment rate will be 25 percent of Medicare payments. The recoupment rate will increase to 50 percent for the next 6 months. If the full amount has not been recovered 29 months after initial receipt of the funds, they will be due in full on demand. If demanded amount is not paid within 30 days, interest will be charged at 4 percent. The Medical Center has recorded these amounts as refundable advance liabilities.

The Medical Center also received advance payments from Blue Cross in May and June of 2020 in the amount of $52,794. Under the terms of these advance payments, the Medical Center began repayment of these amounts with bi-weekly amounts of approximately $3,300. The unpaid Blue Cross advance payment amount was $23,098 at December 31, 2020. The Medical Center paid off this amount in February of 2021.

The following table provides information about the changes in Medicare and Blue Cross accelerated payments for the years ended December 31:

	2021	2020
Accelerated payments at beginning of year	$ 5,040,578	$ -
Medicare accelerated payments received		5,017,480
Blue Cross accelerated payments received		52,794
Advances recouped	(1,549,349)	(29,696)
Accelerated payments at end of year	$ 3,491,229	$ 5,040,578

Note I - Leases

The Medical Center leases certain property and equipment under long-term lease arrangements. Capital assets and accumulated depreciation and amortization include the following amounts for leases that have been capitalized:

	2021
Movable equipment	$ 2,455,930
Less accumulated amortization	1,290,084
	$ 1,165,846

The following is a schedule of future minimum lease payments under capital leases:

	Principal	Interest	Total
2022	$ 354,050	$ 25,446	$ 379,496
2023	356,962	18,502	375,464
2024	363,816	11,648	375,464
2025	364,685	4,660	369,345
2026	73,309	222	73,531
	$ 1,512,822	$ 60,478	$ 1,573,300

The following is a summary of changes in capital lease obligations:

Principal outstanding at January 1, 2020	$ 1,630,739
Capital lease obligations incurred	36,670
Principal payments	(322,547)
Principal outstanding at December 31, 2020	1,344,862
Capital lease obligations incurred	481,852
Principal payments	(313,892)
Principal outstanding at December 31, 2021	$ 1,512,822

The Medical Center leases equipment on a month-to-month basis. Total lease expense under all operating leases was approximately $317,000 and $161,000 for 2021 and 2020, respectively.

Note J - Risk Management

The Medical Center is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $200,000 per occurrence up to an annual aggregate of $600,000 for all claims made during the policy year. The Medical Center is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $800,000 pursuant to any one judgment or settlement against the Medical Center for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $2,400,000. All coverage is on a claims-made basis. The above policies are currently in effect through February 15, 2023. The Medical Center intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

Note J - Risk Management - Continued

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Medical Center purchases commercial insurance for these risks.

Note K - Deposits with Financial Institutions

Kansas statutes authorize the Medical Center, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, the State Treasurer's investment pool, and U.S. Treasury bills and notes. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, the Federal Home Loan Bank, or the Kansas State Treasurer.

The carrying amount of the Medical Center's deposits with financial institutions was $17,171,764, and the bank balance was $17,257,378 at December 31, 2021. The bank balance is categorized as follows at December 31, 2021:

Amount insured by the F.D.I.C., or collateralized with securities held by the Medical Center or by its agent in the Medical Center's name	$17,038,240
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Medical Center's name)	219,138
	$17,257,378

Note L - Pension Plan

The Medical Center provides pension benefits for certain full-time employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The payroll for employees covered by the plan for 2021 and 2020 was approximately $5,306,000 and $5,217,000, respectively. The total payroll for 2021 and 2020 was approximately $7,214,000 and $6,697,000, respectively.

Employees must be at least 21 years of age to be eligible to participate. All employees must have completed one year of service at the Medical Center to be eligible. The plan provides that the employee contribute 2 percent of the employee's annual salary and the Medical Center contribute 4 percent of the employee's annual salary. Contributions to the plan made by an employee vest immediately and contributions to the plan made by the Medical Center vest based upon the plan vesting schedule and the employee's years of service with the Medical Center. The contribution for 2021 was approximately $316,000, which consisted of approximately $211,000 from the Medical Center and approximately $105,000 from the employees. These contributions represented 4 percent and 2 percent of covered payroll, respectively. The contribution for 2020 was approximately $311,000, which consisted of approximately $207,000 from the Medical Center and approximately $104,000 from the employees. Contributions to the plan are invested in annuity contracts with an insurance company.

Note M - Employee and Dependent Health Insurance Plan

The Medical Center sponsors an employee benefit plan which provides partially self-insured employee and dependent health insurance benefits for which substantially all full-time employees of the Medical Center are eligible. The Medical Center has agreed to fund the plan for annual costs and expenses of the plan including costs of benefits and insurance premiums and to withhold and remit to the plan any required employee contributions.

The Medical Center has reinsured a portion of its risk for health insurance claims of its employees. The reinsurance arrangement generally covers claims totaling over $50,000 for each covered individual on an annual basis. The reinsurance arrangement also provides annual aggregate claims coverage for the Medical Center. The Medical Center has appointed an independent third party to provide administrative services to the plan which include review and payment of claims.

The following is a summary of the activity under this arrangement:

	2021	2020
Estimated liability for employee health insurance claims at the beginning of the year	$ 82,082	$ 107,091
Provision for Medical Center's share of incurred claims and reinsurance expense for the year, net of any reinsurance proceeds	489,216	494,176
Employee contributions	225,979	229,372
Payments made for claims and related expenses	(691,946)	(748,557)
Estimated liability for employee health insurance claims at the end of the year (included in salaries, wages, and related withholdings payable in the statements of net position)	$ 105,331	$ 82,082

Note N - Related Party Transactions

Sherman County levies and collects property taxes for the benefit of the Medical Center. The Medical Center received $689,500 and $643,750 in tax appropriations from Sherman County in 2021 and 2020, respectively. The Medical Center also received $184,792 and $26,908 in contributions from the Foundation during 2021 and 2020, respectively.

Note O - Risks and Uncertainties

On March 11, 2020, the World Health Organization designated coronavirus (COVID-19) as a global pandemic. Various policies were implemented by federal, state, and local governments in response to the pandemic that caused people to stay home, forced closure and limitations on some businesses, and suspended elective procedures at health care facilities. While many restrictions have been eased and the Medical Center is now back to normal operations, the pandemic continues to impact the Medical Center through changes in patient patterns and increased cost inflation. The impact on future operations is driven by numerous factors, which are beyond management's control and management's ability to forecast the total impact on operations. The Medical Center is unable to estimate the length of time or financial impact the pandemic will have on operations.

Note O - Risks and Uncertainties - Continued

The CARES Act and subsequent legislation enacted by the federal government has provided funding during these uncertain times. See Note F, Note G, and Note H pertaining to the SBA PPP loan, the HHS grant funds, and the Medicare and Blue Cross accelerated payments.

Supplementary Information

Goodland Regional Medical Center
Schedule of Expenditures of Federal Awards
Year ended December 31, 2021

Federal grantor/pass-through grantor/program title	Assistance listing number	Pass-through entity identifying number	Amount passed through to subrecipients	Expenditures
United States Department of Health and Human Services				
COVID-19 Provider Relief Fund	93.498	None	$ -	$ 4,242,987
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	None	-	111,338
Passed through Healthworks KHA Foundation, Inc.				
Small Hospital Improvement Program	93.301	None		10,381
COVID-19 Small Hospital Improvement Program	93.301	None		58,613
Total Small Hospital Improvement Program			-	68,994
Total United States Department of Health and Human Services			-	4,423,319
United States Department of Treasury				
Passed through Kansas Department of Health and Environment				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	None		99,493
Total United States Department of Treasury			-	99,493
Total federal awards			$ -	$ 4,522,812

Goodland Regional Medical Center
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2021

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant award activity of Goodland Regional Medical Center (the Medical Center) under programs of the federal government, for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

Note 2 - Significant Accounting Policies

Expenditures 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 allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Medical Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The Medical Center's federal expenditures do not include indirect administrative expenses.

Note 4 - Donated Personal Protective Equipment (unaudited)

The Medical Center received nonmonetary assistance of personal protective equipment (PPE) during the emergency period of the COVID-19 pandemic. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal assistance listing numbers. The donated PPE is not included in the Schedule. The value of the donated PPE is not reasonably estimable.

Wendling Noe Nelson & Johnson LLC
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Goodland Regional Medical Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities of Goodland Regional Medical Center (Medical Center), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated July 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center'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 Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-003.

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Medical Center's Response to Findings

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

Purpose of This Report

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



Topeka, Kansas
July 14, 2022

Wendling Noe Nelson & Johnson LLC
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Goodland Regional Medical Center

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Goodland Regional Medical Center's (Medical Center) 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 each of the Medical Center's major federal programs for the year ended December 31, 2021. The Medical Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the Medical Center 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 each major federal program. Our audit does not provide a legal determination of the Medical Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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 the Medical Center'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance

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resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Medical Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Medical Center'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 Medical 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 the Medical Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

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

The Medical Center is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Medical Center's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be

prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

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

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

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.



Topeka, Kansas
July 14, 2022

Goodland Regional Medical Center
Schedule of Findings and Questioned Costs
Year ended December 31, 2021

Section I - Summary of Auditors' Results

Financial statements		
Type of opinion expressed in the auditor's report issued		Unmodified
Internal control over financial reporting		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiencies identified that are not considered to be material weakness(es)?	_X_ Yes	___ None reported
Noncompliance material to financial statements noted	___ Yes	_X_ No
Federal awards		
Internal control over major programs		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiencies identified that are not considered to be material weakness(es)?	_X_ Yes	___ None reported
Type of auditor's report issued on compliance for major programs		Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)	_X_ Yes	___ No

Identification of major programs

CFDA Number	Name of Program
93.498	Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs		$750,000
Entity qualified as low-risk auditee	___ Yes	_X_ No

Section II - Financial Statement Findings

2021-001 Revenue recognition

Identification: Significant deficiency in internal control over financial reporting.

Criteria: Under generally accepted accounting principles, patient accounts receivable and patient revenue are reduced to net amounts expected to be received.

Condition: The allowance for uncollectible accounts in accounts receivable was understated at December 31, 2021.

Cause: The Medical Center has procedures in place to calculate the estimated allowance for bad debts in accounts receivable. Procedures include an analysis that is used for the allowance for bad debts based on historical collection information and other relevant factors. However, the procedures were not adequate to identify a misstatement in this allowance.

Section II - Financial Statement Findings - Continued

Effect: An audit adjusting journal entry was proposed to increase the allowance for uncollectible accounts by $200,000 and decrease net patient service revenue by $200,000.

Repeat Finding: N/A

Recommendations: We recommend that management review the financial reporting process for estimating the allowance for uncollectible accounts in accounts receivable.

Views of Responsible Officials: We will continue to refine the analysis that is used to estimate the allowance for uncollectible accounts in accounts receivable.

2021-002 Estimated cost report settlements

Identification: Significant deficiency in internal control over financial reporting.

Criteria: Under generally accepted accounting principles, settlements expected for unsettled cost reports reflect management's estimate of such amounts after allowing for possible adjustments by the Medicare administrative contractor.

Condition: The Medical Center is a critical access hospital (CAH) for purposes of the Medicare program. As such, services rendered to Medicare beneficiaries by the Medical Center are paid under cost reimbursement methodologies. The Medical Center is paid at tentative rates during the year with final settlement determined after submission of annual cost reports by the Medical Center. The laws and regulations that govern the Medicare program are extremely complex, subject to varying interpretations, and constantly changing.

Cause: The Medical Center has estimation procedures in place to estimate year-to-date cost report settlements; however, we proposed an audit adjusting entry to the estimated cost report settlement amounts that decreased net patient service revenue by approximately $322,000. Because of the significance of Medicare cost report reimbursement to the financial statements, and because of the complexity of the laws and regulations governing the Medicare program, as is presently the case for virtually all CAHs, there is more than a remote risk that future financial statements could contain significant misstatements of estimated cost report settlements.

Effect: There is a reasonable possibility that future significant misstatements of the financial statements will not be prevented, detected, and corrected on a timely basis.

Repeat Finding: N/A

Recommendations: We recommend that the Medical Center continue to use a model to estimate the cost report settlement on a monthly basis and that the model be tested against the submitted Medicare cost report and updated as needed on an annual basis.

Views of Responsible Officials: We will continue to use a model to estimate the cost report settlement. Our goal is to use the model to make adjustments to estimated third-party payor settlements. In addition, it is our goal to have the model tested against the most recently submitted Medicare cost report on an annual basis.

Goodland Regional Medical Center
Schedule of Findings and Questioned Costs - Continued
Year ended December 31, 2021

Section III - Federal Award Findings and Questioned Costs

2021-003

Identification: 93.498 United States Department of Health and Human Services, Provider Relief Fund; Noncompliance Finding/Significant Deficiency; Reporting Compliance Requirement

Criteria: The Provider Relief Fund (PRF) was established under the Coronavirus, Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and the Coronavirus Relief and Response Supplemental Appropriations Act (Pub. L. No. 116-260). Eligible healthcare providers received PRF appropriations for health-care related expenses or lost revenues attributable to coronavirus. Recipients who received one or more payments exceeding $10,000 are required to report in each applicable reporting period. Lost revenues are calculated using either option i, option ii, or option iii. For option ii, lost revenues are calculated for each quarter during the period of availability, as a standalone calculation, with budgeted quarters serving as a baseline. Reporting entities may use budgeted revenues if the budget(s) and associated documents covering the Period of Availability were established and approved prior to March 27, 2020.

Condition: The Medical Center had one error in the Period 1 reporting submission. The Medical Center selected option ii for the reporting of budgeted revenues for 2020 to actual revenues for all of 2020 and the first two quarters of 2021. The Medical Center's budget for 2020 did not include the first two quarters of 2021 when it was approved, thus, the Medical Center should have selected option iii, a reasonable alternative methodology, when reporting lost revenue.

Cause: The budget used by the Medical Center that was approved by March 27, 2020, did not include the first two quarters of 2021.

Effect: The Medical Center reported lost revenues on the PRF portal under option ii instead of option iii.

Questioned Costs: None. The option selected to report lost revenues was not accurate, however, the calculation of lost revenues was accurate and deemed to be a reasonable methodology.

Perspective Information: We tested the Period 1 report submitted during the reporting period to supporting documentation to determine if the report was completed accurately.

Repeat Finding: N/A

Recommendations: We recommend policies and procedures over federal grant reporting be strengthened to ensure the proper reporting of lost revenues in future PRF filings.

Views of Responsible Officials: The Medical Center agrees with this finding of noncompliance and significant deficiency in internal control over compliance and will be implementing a plan of correction to ensure that future reporting of lost revenues is in compliance with the PRF rules and regulations.