FORV/S

Ellsworth County Medical Center

A Component Unit of Ellsworth County, Kansas

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Ellsworth County Medical Center
Ellsworth, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Ellsworth County Medical Center, a component unit of Ellsworth County, Kansas, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Ellsworth County Medical Center'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 Ellsworth County Medical Center as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the provisions of the Kansas Municipal Audit and Accounting Guide 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 Ellsworth County 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 opinions.

Emphasis of Matter

As discussed in *Note 15* to the financial statements, during the year ended June 30, 2023, Ellsworth County Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ellsworth County Medical Center'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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ellsworth County 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 Ellsworth County 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 Ellsworth County Medical Center'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 February 22, 2024, on our consideration of the Ellsworth County 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 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 Ellsworth County 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 Ellsworth County Medical Center's internal control over financial reporting and compliance.

FORVIS, LLP

Wichita, Kansas
February 22, 2024

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Balance Sheets
June 30, 2023 and 2022

Assets

	2023	2022 (As Restated)
Current Assets		
Cash	$ 1,173,060	$ 7,625,195
Patient accounts receivable, net of allowance; 2023 - $1,063,830; 2022 - $1,933,602	2,066,795	1,468,889
Estimated amounts due from third-party payers	497,860	-
Supplies	219,361	243,916
Prepaid expenses	311,327	239,967
Other receivables	218,200	336,490
Total current assets	4,486,603	9,914,457
Noncurrent Cash and Investments		
Designated by Board of Trustees	42,995	128,280
Restricted by donors and grantors	248,197	219,085
	291,192	347,365
Capital Assets, Net	4,455,786	4,079,151
Lease Assets, Net	818,807	927,883
Subscription Asset, Net	743,696	1,086,941
Other Assets		
Advances to medical students	90,900	78,900
Total assets	$ 10,886,984	$ 16,434,697

See Notes to Financial Statements

Liabilities and Net Position

	2023	2022 (As Restated)
Current Liabilities		
Current maturities of long-term debt	$ 88,955	$ 61,507
Current portion of lease liabilities	101,263	96,726
Current portion of subscription liability	348,604	335,009
Accounts payable	449,220	503,647
Accrued salaries payable	178,797	535,333
Accrued benefits payable	485,216	604,201
Other accrued liabilities	491,221	331,665
Estimated amounts due to third-party payers	-	614,598
Advance from Medicare	-	3,017,813
Unearned revenue	114,697	239,148
Total current liabilities	2,257,973	6,339,647
Other Liabilities		
Long-term debt	231,689	39,852
Lease liabilities	764,525	866,088
Subscription liability	424,628	773,232
Total other liabilities	1,420,842	1,679,172
Total liabilities	3,678,815	8,018,819
Net Position		
Net investment in capital assets	4,058,625	3,921,561
Restricted - expendable for specific operating activities	248,197	219,085
Unrestricted	2,901,347	4,275,232
Total net position	7,208,169	8,415,878
Total liabilities and net position	$ 10,886,984	$ 16,434,697

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - $(141,344); 2022 - $749,920	$ 17,386,578	$ 17,038,727
Other	2,630,161	2,283,074
Total operating revenues	20,016,739	19,321,801
Operating Expenses		
Salaries and wages	9,565,251	10,084,104
Employee benefits	2,164,478	1,528,377
Supplies and other	9,656,460	8,989,938
Depreciation	907,922	743,787
Amortization	452,321	456,310
Total operating expenses	22,746,432	21,802,516
Operating Loss	(2,729,693)	(2,480,715)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Ellsworth County	715,996	137,172
Investment income	60,180	51,061
Interest expense	(76,627)	(95,380)
Gain (loss) on disposal of capital assets	331,264	(25,737)
Noncapital grants and gifts	252,023	510,000
Provider Relief Funds (*CARES Act*)	239,148	1,387,704
Total nonoperating revenues	1,521,984	1,964,820
Decrease in Net Position	(1,207,709)	(515,895)
Net Position, Beginning of Year	8,415,878	8,931,773
Net Position, End of Year	$ 7,208,169	$ 8,415,878

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 12,658,401	$ 16,140,126
Payments to suppliers	(9,757,692)	(9,017,139)
Payments to employees	(12,045,694)	(11,681,518)
Other receipts, net	2,612,000	1,848,429
Net cash used in operating activities	(6,532,985)	(2,710,102)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Ellsworth County	715,996	137,172
Noncapital grants and gifts	252,023	510,000
Provider Relief Funds (*CARES Act*)	239,148	1,387,704
Net cash provided by noncapital financing activities	1,207,167	2,034,876
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(1,076,047)	(715,286)
Proceeds from disposal of capital assets	403,779	-
Principal paid on long-term debt	(61,740)	(59,639)
Interest paid on long-term debt	(3,308)	(5,414)
Principal paid on leases payable	(97,026)	(97,463)
Interest paid on leases payable	(36,328)	(39,911)
Principal paid on subscription liability	(335,009)	(321,945)
Interest paid on subscription liability	(36,991)	(50,055)
Net cash used in capital and related financing activities	(1,242,670)	(1,289,713)
Cash Flows From Investing Activities		
Investment income	60,180	51,061
Proceeds from disposition of investments	-	2,604,678
Net cash provided by investing activities	60,180	2,655,739
Increase (Decrease) in Cash	(6,508,308)	690,800
Cash, Beginning of Year	7,972,560	7,281,760
Cash, End of Year	$ 1,464,252	$ 7,972,560

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,173,060	$ 7,625,195
Cash in noncurrent cash and investments	291,192	347,365
Total cash	$ 1,464,252	$ 7,972,560
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (2,729,693)	$ (2,480,715)
Provision for uncollectible accounts	(141,344)	749,920
Depreciation	907,922	743,787
Amortization	452,321	456,310
Change in operating assets and liabilities		
Patient accounts receivable	(456,562)	357,615
Estimated amounts due from and to third-party payers	(1,112,458)	(162,241)
Supplies	24,555	(27,699)
Prepaid expenses	(71,360)	(96,037)
Other receivables	118,290	(115,270)
Advances to medical students	(12,000)	39,323
Accounts payable	(54,427)	96,535
Accrued salaries payable	(356,536)	40,800
Accrued benefits payable	(118,985)	41,848
Other accrued liabilities	159,556	(151,685)
Advance from Medicare	(3,017,813)	(1,843,895)
Unearned revenue	(124,451)	(358,698)
Net cash used in operating activities	$ (6,532,985)	$ (2,710,102)
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	$ -	$ 6,577
Long term debt obligations incurred for capital assets	$ 281,025	$ -

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Notes to Financial Statements
June 30, 2023 and 2022

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

Nature of Operations and Reporting Entity

Ellsworth County Medical Center (Medical Center) is a short-term acute care facility that is a component unit and an integral part of the overall reporting entity of Ellsworth County, Kansas. The Medical Center was organized and began operations on August 1, 1993, to provide inpatient and outpatient health care services for the benefit of the community. The Medical Center is operated by a Board of Trustees appointed by the County Commissioners of Ellsworth County, Kansas.

Basis of Accounting and Presentation

The financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center 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 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 Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, 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.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Noncurrent Cash and Investments and Investment Income

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for future capital improvements, education and physician recruitment, over which the Board retains control and may at its discretion subsequently use for other purposes. Also included in noncurrent cash and investments are assets that are restricted by donor and grantors for operating purposes. The funds are primarily invested in certificates of deposit and cash.

Investment income includes interest income.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. 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 Medical Center:

Land improvements	15 years
Building	40 years
Equipment	5 – 25 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.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease and Subscription Asset Impairment

The Medical Center evaluates capital, lease and subscription 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, lease or subscription 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 June 30, 2023 and 2022.

Compensated Absences

The Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. 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 in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

The Medical Center 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; professional liability; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims up to $45,000 per individual for 2023 and 2022. Claims in excess of $45,000 per individual for 2023 and 2022 or $1,000,000 aggregate Medical Center claims are covered through a reinsurance policy. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

Net position of the Medical Center is classified in three components on its balance sheets.

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization reduced by the outstanding balances of borrowings used to finance the purchase, construction or lease of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Medical Center.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center 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 Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Noncapital Appropriations – Ellsworth County

The Medical Center receives approximately 3% of its financial support from noncapital appropriations from Ellsworth County property tax levy. One hundred percent of these appropriations were used to support operations.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations – Ellsworth County is recognized in full in the year in which use is first permitted.

Income Taxes

As an essential government function of Ellsworth County, Kansas, the Medical Center 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 Medical Center has obtained 501(c)(3) tax status for purposes of participating in a Section 403(b) pension plan.

Note 2: 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 Medical Center'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 June 30, 2023 and 2022, respectively, $1,451,273 and $8,046,557 of the Medical Center's bank balances of $1,712,060 and $8,322,672 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by the pledging financial institution in the Medical Center's name and an irrevocable letter of credit	$ 1,451,273	$ 8,046,557

Summary of Carrying Values

The carrying values of deposits (excluding petty cash of $1,600 and $1,600 for the years ending June 30, 2023 and 2022, respectively) shown above are included in the balance sheets as follows:

	2023	2022
Cash	$ 1,171,460	$ 7,623,595
Noncurrent cash and investments	291,192	347,365
	$ 1,462,652	$ 7,970,960

As of June 30, 2023, noncurrent cash and investments is comprised of cash. As of June 30, 2022, noncurrent cash and investments are comprised of cash and certificates of deposit with remaining maturities of less than one year.

Note 3: Patient Accounts Receivable

The Medical Center 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 June 30, 2023 and 2022, consisted of:

	2023	2022
Medicare	$ 935,128	$ 977,067
Medicaid	112,544	148,812
Blue Cross	358,262	577,407
Other third-party payers	568,432	649,675
Patients	1,156,259	1,049,530
	3,130,625	3,402,491
Less allowance for uncollectible accounts	(1,063,830)	(1,933,602)
	$ 2,066,795	$ 1,468,889

Note 4: Capital, Lease and Subscription Assets

Capital assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 56,240	$ -	$ -	$ -	$ 56,240
Land improvements	484,772	-	-	-	484,772
Buildings	3,971,047	408,085	(133,332)	570,156	4,815,956
Fixed equipment	785,449	-	-	230,989	1,016,438
Moveable equipment	8,699,864	350,869	(4,799)	93,454	9,139,388
Projects in progress	524,857	598,118	-	(894,599)	228,376
	14,522,229	1,357,072	(138,131)	-	15,741,170
Less accumulated depreciation					
Land improvements	384,607	14,506	-	-	399,113
Buildings	3,446,861	145,906	(57,407)	-	3,535,360
Fixed equipment	664,320	39,899	-	-	704,219
Moveable equipment	5,947,290	707,611	(8,209)	-	6,646,692
	10,443,078	907,922	(65,616)	-	11,285,384
Capital Assets, Net	$ 4,079,151	$ 449,150	$ (72,515)	$ -	$ 4,455,786

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 56,240	$ -	$ -	$ -	$ 56,240
Land improvements	484,772	-	-	-	484,772
Buildings	3,884,621	-	-	86,426	3,971,047
Fixed equipment	785,449	-	-	-	785,449
Moveable equipment	7,123,318	-	(217,253)	1,793,799	8,699,864
Projects in progress	1,689,796	715,286	-	(1,880,225)	524,857
	14,024,196	715,286	(217,253)	-	14,522,229
Less accumulated depreciation					
Land improvements	370,017	14,590	-	-	384,607
Buildings	3,345,608	101,253	-	-	3,446,861
Fixed equipment	639,833	24,487	-	-	664,320
Moveable equipment	5,535,349	603,457	(191,516)	-	5,947,290
	9,890,807	743,787	(191,516)	-	10,443,078
Capital Assets, Net	$ 4,133,389	$ (28,501)	$ (25,737)	$ -	$ 4,079,151

Lease assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 31,271	$ -	$ -	$ -	$ 31,271
Building space	1,112,022	-	-	-	1,112,022
	1,143,293	-	-	-	1,143,293
Less accumulated amortization					
Equipment	9,528	6,134	-	-	15,662
Building space	205,882	102,942	-	-	308,824
	215,410	109,076	-	-	324,486
Lease Assets, Net	$ 927,883	$ (109,076)	$ -	$ -	$ 818,807

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 40,166	$ 6,577	$ (15,472)	$ -	$ 31,271
Building space	1,112,022	-	-	-	1,112,022
	1,152,188	6,577	(15,472)	-	1,143,293
Less accumulated depreciation					
Equipment	14,876	10,124	(15,472)	-	9,528
Building space	102,941	102,941	-	-	205,882
	117,817	113,065	(15,472)	-	215,410
Lease Assets, Net	$ 1,034,371	$ (106,488)	$ -	$ -	$ 927,883

Subscription assets activity for the years ended June 30 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription asset	$ 1,430,186	$ -	$ -	$ -	$ 1,430,186
Less accumulated amortization					
Subscription asset	343,245	343,245	-	-	686,490
Subscription Asset, Net	$ 1,086,941	$ (343,245)	$ -	$ -	$ 743,696

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription asset	$ 1,430,186	$ -	$ -	$ -	$ 1,430,186
Less accumulated amortization					
Subscription asset	-	343,245	-	-	343,245
Subscription Asset, Net	$ 1,430,186	$ (343,245)	$ -	$ -	$ 1,086,941

Note 5: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended June 30:

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Financed capital purchases	$ 101,359	$ 281,025	$ (61,740)	$ 320,644	$ 88,955	$ 231,689
Lease liabilities	962,814	-	(97,026)	865,788	101,263	764,525
Subscription liabilities	1,108,241	-	(335,009)	773,232	348,604	424,628
	$ 2,172,414	$ 281,025	$ (493,775)	$ 1,959,664	$ 538,822	$ 1,420,842

	2022					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Financed capital purchases	$ 160,998	$ -	$ (59,639)	$ 101,359	$ 61,507	$ 39,852
Lease liabilities	1,053,700	6,577	(97,463)	962,814	96,726	866,088
Subscription liabilities	1,430,186	-	(321,945)	1,108,241	335,009	773,232
	$ 2,644,884	$ 6,577	$ (479,047)	$ 2,172,414	$ 493,242	$ 1,679,172

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank. They have varying maturities through 2024. Principal and interest is payable monthly. Interest rate is 3.95%. The notes are secured by certain capital assets.

The debt service requirements on financed capital purchases as of June 30, 2023, are as follows:

Year Ending June 30	Total to Be Paid	Principal	Interest
2024	$ 110,312	$ 88,955	$ 21,357
2025	70,053	53,298	16,755
2026	70,053	57,579	12,474
2027	70,053	62,203	7,850
2028	61,463	58,609	2,854

Lease Liabilities

The Medical Center leases certain building space and equipment, the terms of which expire in various years through 2032. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of June 30, 2023:

Year Ending June 30	Total to Be Paid	Principal	Interest
2024	$ 146,155	$ 101,263	$ 44,892
2025	142,743	105,366	37,377
2026	137,771	107,113	30,658
2027	132,093	108,270	23,823
2028	128,199	111,423	16,776
2029-2032	353,836	332,353	21,483
	$ 1,040,797	$ 865,788	$ 175,009

Subscription Liabilities

The Medical Center has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of $23,000.

The following is a schedule by year of payments under the SBITAs as of June 30, 2023:

Year Ending June 30	Total to Be Paid	Principal	Interest
2024	$ 372,000	$ 348,604	$ 23,396
2025	372,000	362,753	9,247
2026	62,000	61,875	125
	$ 806,000	$ 773,232	$ 32,768

Note 6: Professional Liability Claims

The Medical Center purchases professional liability insurance which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. 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 professional liability 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 Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Claims

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $45,000 per covered employee for 2023 and 2022. Claims in excess of $45,000 per covered employee or $1,000,000 aggregate Medical Center claims are covered through a reinsurance policy for 2023 and 2022. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

Activity in the Medical Center's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, beginning of year	$ 111,958	$ 326,501
Current year claims incurred and changes in estimates for claims incurred in prior years	1,339,314	562,570
Claims and expenses paid	(1,189,300)	(777,113)
Balance, end of year	$ 261,972	$ 111,958

Note 8: Net Patient Service Revenue

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

Medicare. The Medical Center is recognized as a CAH. Under CAH rules, inpatient acute care, skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and cost reimbursement methodologies. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits 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.

Approximately 70% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2023 and 2022. 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 Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 9: Charity Care

Charges excluded from revenue under the Medical Center's charity care policy were $39,902 and $83,851 for June 30, 2023 and 2022, respectively. The Medical Center's direct and indirect costs for services and supplies furnished under the Medical Center's charity care policy were approximately $33,000 and $68,000 in 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost-to-gross charges to the gross uncompensated charges from the June 30, 2023 and 2022, filed Medicare cost reports.

Note 10: 340B Drug Pricing Program

The Medical Center participates in the 340B Drug Pricing Program (340B Program) enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center recorded revenues of $2,439,114 and $2,047,350 for the years ending June 30, 2023 and 2022, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Medical Center recorded expenses of $2,025,315 and $2,054,577 for the years ending June 30, 2023 and 2022, 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 11: Pension Plans

The Medical Center has a defined contribution plan (401(a) plan) in which all employees of the Medical Center become eligible for participation upon active employment. Employees were required by the plan to contribute 6.42% of their salary to the plan in 2023 and 2022. The employer is also required by the plan to contribute 6.42% of employee salary in 2023 and 2022. The Medical Center's contributions to the plan are 100% vested from the date of employee participation. The plan year begins on January 1 and ends December 31. Contributions made by plan members were $605,761 and $618,765 for the years ended June 30, 2023 and 2022, respectively. Contributions made by the Medical Center were $605,761 and $618,765 for the years ended June 30, 2023 and 2022, respectively.

In addition, the Medical Center has a 403(b) defined contribution plan in which all employees of the Medical Center become eligible for participation upon active employment. Employees are allowed to contribute any amount to this plan. The employer will match the first $12 per pay period contributed by the employee. The Medical Center's contributions to the plan are 100% vested from the date of employee participation. The plan year begins on January 1 and ends December 31. Contributions made by plan members were $244,193 and $261,385 for the years ended June 30, 2023 and 2022, respectively. Contributions made by the Medical Center were $32,009 and $31,170 for the years ended June 30, 2023 and 2022, respectively.

The Medical Center provides one additional defined contribution plan (457 plan). The plan year begins on January 1 and ends December 31. Contributions made by plan members were $102,598 and $104,878 for the years ended June 30, 2023 and 2022, respectively. The Medical Center does not make contributions to the 457 plan.

Note 12: Services Agreement

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including data processing and accounting 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 Medical Center for the years ended June 30, 2023 and 2022, were $816,347 and $728,231, respectively. Amounts included in accounts payable and owed to GPHA were $69,286 and $68,196 at June 30, 2023 and 2022, respectively.

Note 13: COVID-19 Pandemic & *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.

The Medical Center's pandemic response plan has multiple facets and continues to evolve as the lasting impact of the pandemic unfolds. The Medical Center has taken precautionary 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 Medical Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Medical Center's control and ability to forecast.

Because of these and other uncertainties, the Medical Center cannot estimate the length or severity of the effect of the pandemic on the Medical Center's business. Decreases in cash flows and result of operations may have an effect on debt covenant compliance and 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

The Medical Center received $0 and $1,029,006 from the *CARES Act* Provider Relief Fund for the years ended June 30, 2023 and 2022, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Medical Center 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 (HHS).

The Medical Center 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 Medical Center's operating revenues and expenses through June 30, 2023 and 2022, the Medical Center recognized $239,148 and $1,387,704, respectively, related to the Provider Relief Fund, 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 $239,148 is recorded as a component of unearned revenue in the accompanying balance sheet for the year ended June 30, 2022.

Medicare Accelerated and Advanced Payment Program

During fiscal year 2020, the Medical Center 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 Medical Center. 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 June 30, 2020, the Medical Center received $4,861,708 from these accelerated Medicare payment requests. During the years ended June 30, 2023 and 2022, Medicare applied $3,017,813 and $1,843,895, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption Advance from Medicare in the accompanying balance sheets. As of June 30, 2023, all Medicare accelerated payments have been recouped.

Other COVID-19 Grant Funding

In November 2021, the Medical Center received and recognized $71,635 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Medical Center to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the years ended June 30, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Medical Center received and recorded a receivable of $63,613 related to the SHIP grant for the year ended June 30, 2022. The Medical Center recognized $0 and $255,323 related to the SHIP grant for the years ended June 30, 2023 and 2022, respectively. The revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

The Medical Center also received $140,151 during the year ended June 30, 2023, related to the Increase the Reach Grant, which was part of the federal government's response to the pandemic. The Medical Center recognized $25,454 of the funding for the year ended June 30, 2023, and the remaining $114,697 is recorded as unearned revenue as of June 30, 2023.

Note 14: Contingencies

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Notes 1* and *7*.

Employee Health Claims

Estimates related to the accrual for employee health claims are described in *Notes 1* and *8*.

General Litigation

The Medical Center is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by commercial insurance. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net assets and cash flows of the Medical Center. Events could occur that would change this estimate materially in the near term.

Note 15: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

Effective July 1, 2022, the Medical Center adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Medical Center was required to retroactively restate June 30, 2022, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Subscription asset, net	$ 1,086,941	$ -	$ 1,086,941
Current portion of subscription liability	335,009	-	335,009
Subscription liability	773,232	-	773,232
Net position - net investment in capital assets	3,921,561	3,942,861	(21,300)
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	8,989,938	9,361,938	(372,000)
Amortization	456,310	113,065	343,245
Interest expense	(95,380)	(45,325)	(50,055)
Decrease in net position	(515,895)	(494,595)	(21,300)
Net position, end of year	8,415,878	8,437,178	(21,300)
Statements of Cash Flows			
Payments to suppliers	(9,017,139)	(9,389,139)	372,000
Principal paid on subscription liability	(321,945)	-	(321,945)
Interest paid on subscription liability	(50,055)	-	(50,055)
Net cash used in operating activities	(2,710,102)	(3,082,102)	372,000
Net cash used in capital and related financing activities	(1,289,713)	(917,713)	(372,000)
Operating loss	(2,480,715)	(2,509,470)	28,755
Amortization	456,310	113,065	343,245

Supplementary Information

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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 Program				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		$ -	$ 1,029,006
Passed Through Kansas Department of Health and Environment				
Immunization Cooperative Agreements	93.268	N/A	-	25,454
			$ -	$ 1,054,460

The accompanying notes are an integral part of this Schedule.

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ellsworth County Medical Center under programs of the federal government for the year ended June 30, 2023. 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 Ellsworth County Medical Center, it is not intended to and does not present the financial position, changes in net position or cash flows of Ellsworth County Medical Center.

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

Ellsworth County Medical Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Donated Personal Protective Equipment

Ellsworth County Medical Center did not receive any donated Personal Protective Equipment (PPE) during the year ended June 30, 2023 (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
Ellsworth County Medical Center
Ellsworth, 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 Ellsworth County Medical Center, which comprise Ellsworth County Medical Center's balance sheet as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2024, 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 Ellsworth County 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ellsworth County Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Ellsworth County 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. 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 Ellsworth County 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 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
February 22, 2024

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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
Ellsworth County Medical Center
Ellsworth, Kansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Ellsworth County Medical Center'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 Ellsworth County Medical Center's major federal program for the year ended June 30, 2023. Ellsworth County Medical Center'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, Ellsworth County Medical Center 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 June 30, 2023.

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 Ellsworth County 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 the major federal program. Our audit does not provide a legal determination of Ellsworth County 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 Ellsworth County Medical Center'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 Ellsworth County 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 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 Ellsworth County Medical Center'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 Ellsworth County 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 Ellsworth County 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 Ellsworth County 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.

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
February 22, 2024

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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**

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

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.

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status

No matters are reportable.