

HAXTUN HOSPITAL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2019 AND 2018

**HAXTUN HOSPITAL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Haxtun Hospital District
Haxtun, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Haxtun Hospital District (the District), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haxtun Hospital District as of December 31, 2019 and 2018, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the budgeted and actual revenues and expenses on page 27 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2020, on our consideration of the District'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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado
July 22, 2020

**HAXTUN HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INTRODUCTION

This management's discussion and analysis of Haxtun Hospital District (the District) provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the District, which begin on page 9.

USING THIS ANNUAL REPORT

The District's financial statements consist of three statements: a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

FINANCIAL HIGHLIGHTS

- The District's current cash and cash equivalents increased in 2019 by \$1,294,788, or 147%, compared to a decrease of \$345,571, or 28%, in 2018.
- Patient accounts receivable decreased in 2019 by \$118,968, or 8%, compared to an increase of \$459,101, or 45%, in 2018.
- Current liabilities increased in 2019 by \$178,383, or 16%, compared to an increase of \$101,994, or 10%, in 2018.
- Net position increased in 2019 by \$1,091,579, or 41%, compared to a decrease \$167,835, or 6%, in 2018.
- Net operating revenues increased by \$139,801, or 1.6%, in 2019, compared to an increase of \$189,127, or 2.2%, in 2018.
- Operating expenses increased by \$279,631, or 3.0%, in 2019, compared to a decrease of \$312,210, or 3%, in 2018.
- Nonoperating revenues (expenses) increased by \$788,167, or 340.4%, in 2019, compared to a decrease of \$98,409, or 30%, in 2018.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**HAXTUN HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

These two statements report the District's net position and changes in it. The District's total net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether their financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the District.

THE STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position increased \$1,091,579 (41.2%) in 2019 compared to a decrease of \$167,835 (5.9%) in 2018 as shown in Table 1.

TABLE 1: ASSETS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	2019	2018	2017
ASSETS			
Cash and Cash Equivalents	\$ 2,174,852	\$ 880,064	\$ 1,225,635
Patient Accounts Receivable, Net	1,364,634	1,483,602	1,024,501
Other Current Assets	807,217	945,408	838,189
Capital Assets, Net	1,450,309	1,348,117	1,756,201
Noncurrent Cash and Cash Equivalents	49,631	49,457	49,320
Total Assets	<u>\$ 5,846,643</u>	<u>\$ 4,706,648</u>	<u>\$ 4,893,846</u>
LIABILITIES			
Current Liabilities	\$ 1,281,963	\$ 1,103,580	\$ 1,001,586
Long-Term Debt	509,279	587,830	772,075
Total Liabilities	<u>1,791,242</u>	<u>1,691,410</u>	<u>1,773,661</u>
Deferred Inflows from Property Taxes	316,068	367,484	304,596
NET POSITION			
Net Investment in Capital Assets	697,174	580,895	804,426
Restricted Nonexpendable	49,631	49,457	49,320
Restricted Expendable	394,122	-	-
Unrestricted	2,598,406	2,017,402	1,961,843
Total Net Position	<u>3,739,333</u>	<u>2,647,754</u>	<u>2,815,589</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 5,846,643</u>	<u>\$ 4,706,648</u>	<u>\$ 4,893,846</u>

**HAXTUN HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

THE DISTRICT'S ASSETS AND LIABILITIES

The most noteworthy changes in 2019 to the District's statement of net position are the increases in cash and cash equivalents and net capital assets. The statement of net position shows that current cash and cash equivalents increased \$1,294,788 between 2019 and 2018. The increase in cash and cash equivalents is primary a result of increased grant funding in 2019 along with insurance proceeds received related to a roof replacement that have yet to be expended. Capital assets increased \$102,192 between 2018 and 2019 as a result of capital asset additions in the current year which were offset by current year fixed asset additions.

The most noteworthy changes in 2018 to the District's statement of net position are the decreases in cash and cash equivalents and net capital assets, and increases net patient accounts receivable and current liabilities. The statement of net position shows that current cash and cash equivalents decreased \$345,571 between 2019 and 2018. The decrease in cash and cash equivalents is primary a result of the increase in net patient accounts receivable. The increase in net patient accounts receivable was \$459,101 between 2018 and 2019. This increase was primarily driven by the transition to the new billing system. Capital assets decreased \$408,084 between 2018 and 2019 as a result of continued depreciation on the District's assets which was not offset by current year fixed asset additions. The District also disposed of capital assets in the current year that were no longer in use. The District's current liabilities increased \$101,994 between 2018 and 2019 as a result of timing of payments being made on the outstanding liabilities.

OPERATING RESULTS AND CHANGES IN DISTRICT'S NET POSITION

In 2019, the District's net position increased by \$1,091,579, compared to a decrease of \$167,835 in 2018. The percentage change in the District's net position was an increase of 41.2% in 2019, compared to a decrease of 5.9% in 2018. See Table 2 for the operating results and changes in net position.

**HAXTUN HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

TABLE 2: OPERATING RESULTS AND CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES			
Net Patient Service Revenues	\$ 8,873,941	\$ 8,676,831	\$ 8,429,580
Other Operating Revenues	<u>68,327</u>	<u>125,636</u>	<u>183,760</u>
Total Operating Revenues	8,942,268	8,802,467	8,613,340
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	5,964,416	5,723,256	5,548,251
Purchased Services and Professional Fees	1,430,091	1,394,837	1,750,161
Supplies and Other	1,715,025	1,665,658	1,751,992
Depreciation	<u>371,911</u>	<u>418,061</u>	<u>463,618</u>
Total Operating Expenses	<u>9,481,443</u>	<u>9,201,812</u>	<u>9,514,022</u>
OPERATING LOSS	(539,175)	(399,345)	(900,682)
NONOPERATING REVENUES AND EXPENSES			
Property Taxes	414,389	336,529	315,620
Interest Income	4,781	2,274	6,099
Interest Expense	(26,566)	(31,869)	(31,243)
Other Nonoperating Revenues and Expenses, Net	<u>627,073</u>	<u>(75,424)</u>	<u>39,443</u>
Net Nonoperating Revenues	<u>1,019,677</u>	<u>231,510</u>	<u>329,919</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	480,502	(167,835)	(570,763)
Capital Grants	<u>611,077</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 1,091,579</u>	<u>\$ (167,835)</u>	<u>\$ (570,763)</u>

OPERATING GAIN (LOSS)

The first component of the overall change in the District's net position is its operating gain (loss), which is the difference between net patient service revenue and the expenses incurred to perform those services. In 2019, the District reported an operating loss of \$539,175. The District's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals.

Net patient service revenue of \$8.87 million in 2019 represented a 2.3% increase over 2018. The District experienced an increase in volumes throughout 2019, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2019 by approximately \$241,000 or 4.2%, as a result of wage increases by the District. The other expense categories remained consistent for the District.

The provision for bad debt in 2019 decreased from 2018 by 20%. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was approximately \$242,000 and \$229,000 for 2019 and 2018, respectively.

**HAXTUN HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

OPERATING GAIN (LOSS) (CONTINUED)

Net patient service revenue of \$8.68 million in 2018 represented a 2.9% increase over 2017. The District experienced an increase in volumes throughout 2018, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2018 by approximately \$175,000 or 3.2%, as a result of filling positions within the District. Purchased services and professional fees decreased by approximately \$355,000, or 20.3%, primarily resulting from the District not incurring costs related to the potential clinic building project in 2018 as the project was decided not to proceed in 2017.

The provision for bad debt in 2018 decreased from 2017 by 13%. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was approximately \$229,000 and \$192,000 for 2018 and 2017, respectively.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses consist primarily of property tax revenue, interest expense, and grants and contributions. Property tax revenues from the county increased 23.1% in 2019 and increased 6.6% in 2018. Interest expense decreased 16.6% in 2019 compared to an increase of 2.0% in 2018. Grant and contribution revenues increased between 2019 and 2018 by \$702,497 or 931.4%, which was primarily the result of insurance proceeds received in 2019 related to hail damage to the roof of the hospital.

THE DISTRICT'S CASH FLOWS

The change in the District's cash flows is consistent with changes in operating income and losses and nonoperating revenues and expenses, as discussed earlier.

CAPITAL ASSETS, NET

The District's capital assets, net of accumulated depreciation, increased from \$1,348,117 in 2018, to \$1,450,309 in 2019, as detailed in Note 6 to the financial statements. The District invested \$539,839 in capital assets in 2019, which was offset by continued depreciation on capital assets that have been placed in service.

LONG-TERM DEBT

At December 31, 2019 and 2018, the District had long-term debt (excluding current portion) of \$509,279 and \$587,830, respectively, in general obligation bonds, a promissory note, and capital lease obligations. The District entered into one new capital lease obligation in fiscal year 2019. The decrease from 2019 is due to principal payments being made on the outstanding debt, as detailed in Note 8 to the financial statements.

OTHER ECONOMIC FACTORS

The District operates in rural Colorado in Phillips County, which is predominantly made up of farming communities. Additional economic factors impacting the District include population shifts, increasing numbers of uninsured or underinsured patients, and increasing costs of recruiting, hiring, and retaining health care professionals.

**HAXTUN HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the District's executive office by telephoning 970-774-6123.

**HAXTUN HOSPITAL DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,174,852	\$ 880,064
Receivables:		
Patient Accounts Receivable, Net	1,364,634	1,483,602
Property Taxes	316,068	367,484
Estimated Amounts Due from Third-Party Payors	-	116,000
Other	70,650	77,010
Supplies	327,105	299,846
Prepaid Expenses and Other	93,394	85,068
Total Current Assets	4,346,703	3,309,074
NONCURRENT CASH AND CASH EQUIVALENTS		
Restricted by Contributors	49,631	49,457
CAPITAL ASSETS, NET		
	1,450,309	1,348,117
Total Assets	\$ 5,846,643	\$ 4,706,648
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 243,856	\$ 179,392
Accounts Payable	502,348	560,995
Accrued Expenses:		
Salaries, Wages, and Benefits	391,755	362,000
Interest	1,004	1,193
Estimated Amounts Due to Third-Party Payors	143,000	-
Total Current Liabilities	1,281,963	1,103,580
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
	509,279	587,830
Total Liabilities	1,791,242	1,691,410
DEFERRED INFLOWS FROM PROPERTY TAXES		
	316,068	367,484
NET POSITION		
Net Investment in Capital Assets	697,174	580,895
Restricted - Nonexpendable Endowment	49,631	49,457
Restricted - Expendable	394,122	-
Unrestricted	2,598,406	2,017,402
Total Net Position	3,739,333	2,647,754
Total Liabilities, Deferred Inflows, and Net Position	\$ 5,846,643	\$ 4,706,648

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
OPERATING REVENUES		
Net Patient Service Revenue (Net of Provision for Bad Debts of Approximately \$150,000 in 2019 and \$188,000 in 2018)	\$ 8,873,941	\$ 8,676,831
Other Operating Revenue	68,327	125,636
Total Operating Revenues	8,942,268	8,802,467
OPERATING EXPENSES		
Salaries and Wages	4,968,655	4,801,442
Employee Benefits	995,761	921,814
Supplies	1,202,690	1,122,290
Professional Fees and Purchased Services	1,430,091	1,394,837
Depreciation	371,911	418,061
Insurance	138,647	134,788
Provider Tax	135,930	146,383
Other	237,758	262,197
Total Operating Expenses	9,481,443	9,201,812
OPERATING LOSS	(539,175)	(399,345)
NONOPERATING REVENUES AND EXPENSES		
Property Taxes	414,389	336,529
Grants and Contributions	5,295	12,346
Interest Income	4,781	2,274
Interest Expense	(26,566)	(31,869)
Gain (Loss) on Disposal of Capital Assets	608,922	(109,009)
Other Nonoperating Revenues	12,856	21,239
Total Nonoperating Revenues and Expenses	1,019,677	231,510
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	480,502	(167,835)
Capital Grants	611,077	-
INCREASE (DECREASE) IN NET POSITION	1,091,579	(167,835)
Net Position - Beginning of Year	2,647,754	2,815,589
NET POSITION - END OF YEAR	\$ 3,739,333	\$ 2,647,754

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 9,251,909	\$ 8,215,730
Receipts from Other Operating Activities	68,327	61,682
Payments to and on Behalf of Employees	(5,934,661)	(5,782,005)
Payments to Suppliers, Contractors, and Others	(3,232,988)	(2,875,337)
Net Cash Provided (Used) by Operating Activities	152,587	(379,930)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes Supporting Operations	316,528	235,330
Noncapital Grants and Contributions	5,295	12,346
Other Nonoperating Revenue	12,856	21,239
Net Cash Provided by Noncapital Financing Activities	334,679	268,915
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Long-Term Debt	(195,568)	(184,553)
Interest Paid on Long-Term Debt	(26,755)	(32,050)
Proceeds from Property Taxes for Debt Service	97,861	98,896
Capital Grants	611,077	-
Proceeds Received on Disposal of Capital Assets	674,658	-
Purchase of Capital Assets	(358,358)	(118,986)
Net Cash Provided (Used) by Capital and Related Financing Activities	802,915	(236,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	4,781	2,274
Increase in Noncurrent Cash and Cash Equivalents	(174)	(137)
Net Cash Provided by Investing Activities	4,607	2,137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,294,788	(345,571)
Cash and Cash Equivalents - Beginning of Year	880,064	1,225,635
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,174,852	\$ 880,064
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Acquired through Capital Lease Obligation	\$ 181,481	\$ -

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (539,175)	\$ (399,345)
Depreciation	371,911	418,061
Provision for Bad Debts	150,065	188,361
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable, Net	(31,097)	(647,462)
Estimated Amounts Due from Third-Party Payors	259,000	(2,000)
Other Receivables	6,360	(32,462)
Supplies	(27,259)	(74,604)
Prepays Expenses and Other	(8,326)	67,038
Accounts Payable	(58,647)	225,186
Accrued Salaries, Wages, and Benefits	29,755	(58,749)
Electronic Health Record Deferred Revenues	-	(63,954)
Net Cash Provided (Used) by Operating Activities	\$ 152,587	\$ (379,930)

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Haxtun Hospital District (the District) owns and operates a 25-bed licensed acute care hospital in Haxtun, Colorado. The District considers the southwestern portion of Phillips County, Colorado to be its primary service market and provides acute care services to patients in that area. The services provided include acute hospital care, emergency room, and the related ancillary procedures (lab, x-ray, therapy, etc.) associated with those services. The District is a quasi-municipal corporation governed by an elected five-member board.

Haxtun Hospital District operates under the laws of the state of Colorado for Colorado special districts. As organized, the District is exempt from payment of federal income tax. All District assets, liabilities, and financial transactions are included in these financial statements.

Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature or significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit, which meets the GASB criteria.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus.

Use of Estimates

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

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less.

Patient Accounts Receivable, Net

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient, the District bills third-party payors directly and bill the patient when the patient's liability is determined. Patients are not required to provide collateral for services rendered. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payor. In addition, an allowance is estimated for other accounts based on the historical experience of the District. At December 31, 2019 and 2018, the allowance for uncollectible accounts was approximately \$242,000 and \$229,000, respectively.

Supplies

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

Noncurrent Cash and Cash Equivalents

Noncurrent cash and cash equivalents consists of cash and cash equivalents restricted by contributors for an endowment.

Capital Assets, Net

Capital assets in excess of \$5,000 are recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Buildings	20 to 40 Years
Major Movable and Fixed Equipment	3 to 20 Years

Impairment of Long-Lived Assets

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. Should the sum of the expected future net cash flows be less than carrying value, an impairment loss would be recognized. There was no impairment identified or recorded in fiscal years 2019 or 2018.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The Net Position of the District is classified in four components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted nonexpendable net position* is noncapital net position that must be held as an endowment as specified by contributors external to the District. Restricted net assets are reduced by any liabilities payable from restricted assets. *Restricted expendable net position* consists of contributions from donors that is restricted for a specific purpose and can be spent as specified by donors. *Unrestricted net position* is the remaining net assets that do not meet the definition of net investment in capital assets or restricted.

Property Taxes

The District received approximately 5% and 4% of its financial support from property taxes in 2019 and 2018, respectively. These funds were used to support operations of the District and to service long-term debt. The District levies property taxes on an annual basis through a mill levy on assessed property valuations. The funds were used as follows:

	2019	2018
Levied to Support Operations	\$ 316,528	\$ 237,633
Levied for Debt Service	97,861	98,896
Total Property Tax Income	\$ 414,389	\$ 336,529

Property tax is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the board of directors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first date of the following year. Although the property tax receivable has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year for which it is levied.

Lien date – January 1

Levy date – January 1, succeeding year

Due dates – February 28 and June 15, succeeding year

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and include 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 services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the District's charity care policy were approximately \$14,000 and \$18,000 for 2019 and 2018, respectively.

Grants and Contributions

From time to time, the District receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts 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 deficit of revenues over expenses.

Operating Revenues and Expenses

The District's 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, the District's principal activity. Nonexchange revenues, including taxes, interest expense, 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.

Provider Fee Program

In 2012, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee based on bed size and payor mix. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible.

Advertising Costs

The District expenses advertising costs as incurred.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unavailable property taxes. The property taxes will be recognized as revenue in the year for which the taxes have been levied and become available.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the state constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes Enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that it qualifies for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 NET PATIENT SERVICE REVENUE

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

Medicare

The District is licensed as a Critical Access Hospital. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost report has been audited by the Medicare fiscal intermediary through December 31, 2017.

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. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicaid beneficiaries were paid based on a cost-reimbursement methodology through October 30, 2016. The District was reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost report has been audited by the Medicaid fiscal intermediary through October 30, 2016. On October 31, 2016, the Medicaid program began paying for outpatient hospital services by using an enhanced ambulatory patient grouping (EAPG), which is a prospective payment methodology.

Other

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

Uninsured

The District provides health care services to patients who have not purchased commercial health care insurance coverage and do not qualify as beneficiaries of the Medicare and Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the District's charity care policy.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

The following is a reconciliation of gross patient service revenue to net patient service revenue for the years ending December 31:

	<u>2019</u>	<u>2018</u>
Gross Patient Service Revenue	\$ 11,725,986	\$ 10,152,314
Discounts and Adjustments:		
Contractual Adjustments	2,701,980	1,287,122
Provision for Bad Debts	150,065	188,361
Total Discounts and Adjustments	<u>2,852,045</u>	<u>1,475,483</u>
Net Patient Service Revenue	<u>\$ 8,873,941</u>	<u>\$ 8,676,831</u>

Revenue from Medicare and Medicaid programs accounted for approximately 46% and 10%, respectively, of the District's net patient revenue for the year ended December 31, 2019 and 59% and 13%, respectively, of the District's net patient revenue for the year ended December 31, 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 4 PATIENT ACCOUNTS RECEIVABLE, NET

The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31 was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	44 %	47 %
Medicaid	3	9
Blue Cross	13	10
Other Third-Party Insurance	25	22
Patients	15	12
Total	<u>100 %</u>	<u>100 %</u>

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissioners for bank and financial services are required by statute to monitor the naming of eligible depositories and reporting of uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019 and 2018, the District's cash deposits had a bank balance of \$2,216,708 and \$957,368, respectively.

NOTE 6 CAPITAL ASSETS, NET

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	2019				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and Leasehold Improvements	3,343,262	143,014	(109,560)	-	3,376,716
Equipment	2,277,315	385,947	-	-	2,663,262
Software	29,166	5,000	-	-	34,166
Construction in Progress	-	5,878	-	-	5,878
Subtotal	<u>5,658,033</u>	<u>539,839</u>	<u>(109,560)</u>	<u>-</u>	<u>6,088,312</u>
Less: Accumulated Depreciation:					
Buildings and Leasehold Improvements	2,641,395	111,024	(43,824)	-	2,708,595
Equipment	1,658,220	251,002	-	-	1,909,222
Software	10,301	9,885	-	-	20,186
Subtotal	<u>4,309,916</u>	<u>371,911</u>	<u>(43,824)</u>	<u>-</u>	<u>4,638,003</u>
Capital Assets, Net	<u>\$ 1,348,117</u>	<u>\$ 167,928</u>	<u>\$ (65,736)</u>	<u>\$ -</u>	<u>\$ 1,450,309</u>

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 CAPITAL ASSETS, NET (CONTINUED)

	2018				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and Leasehold Improvements	3,277,222	66,040	-	-	3,343,262
Equipment	3,475,974	42,565	(1,241,224)	-	2,277,315
Software	18,785	10,381	-	-	29,166
Subtotal	<u>6,780,271</u>	<u>118,986</u>	<u>(1,241,224)</u>	<u>-</u>	<u>5,658,033</u>
Less: Accumulated Depreciation:					
Buildings and Leasehold Improvements	2,537,745	103,650	-	-	2,641,395
Equipment	2,483,194	307,241	(1,132,215)	-	1,658,220
Software	3,131	7,170	-	-	10,301
Subtotal	<u>5,024,070</u>	<u>418,061</u>	<u>(1,132,215)</u>	<u>-</u>	<u>4,309,916</u>
Capital Assets, Net	<u>\$ 1,756,201</u>	<u>\$ (299,075)</u>	<u>\$ (109,009)</u>	<u>\$ -</u>	<u>\$ 1,348,117</u>

NOTE 7 CAPITAL LEASE OBLIGATIONS

The District leases certain equipment under noncancelable long-term lease agreements. The lease has been recorded as a capitalized lease. The capitalized lease assets consist of major moveable equipment. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2020	\$ 137,016
2021	67,975
2022	55,787
2023	9,298
Total	<u>270,076</u>
Less: Interest on Capital Lease Obligation	<u>(13,829)</u>
Total	<u>\$ 256,247</u>

Capital Lease Obligations

The District is obligated under lease agreements for equipment that are accounted for as capital lease obligations. The total cost of the assets under capital leases at December 31, 2019 and 2018 was \$545,421 and \$363,940, net of accumulated depreciation of \$290,285 and \$211,016, respectively. The capital lease obligations require monthly payments ranging from \$4,649 to \$6,769. The interest rates on the capital lease obligations range from 4.14% to 4.41% with maturity dates between February 2021 and March 2023. The capital lease obligations are secured by the leased equipment.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 LONG-TERM DEBT

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

	2019				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
GO Refunding Bonds, Series 2013	\$ 450,000	\$ -	\$ (70,000)	\$ 380,000	\$ 75,000
Promissory Note	151,467	-	(34,579)	116,888	40,173
Capital Lease Obligations	165,755	181,481	(90,989)	256,247	128,683
Total Long-Term Debt	<u>\$ 767,222</u>	<u>\$ 181,481</u>	<u>\$ (195,568)</u>	<u>\$ 753,135</u>	<u>\$ 243,856</u>

	2018				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
GO Refunding Bonds, Series 2013	\$ 520,000	\$ -	\$ (70,000)	\$ 450,000	\$ 70,000
Promissory Note	193,868	-	(42,401)	151,467	70,549
Capital Lease Obligations	237,907	-	(72,152)	165,755	38,843
Total Long-Term Debt	<u>\$ 951,775</u>	<u>\$ -</u>	<u>\$ (184,553)</u>	<u>\$ 767,222</u>	<u>\$ 179,392</u>

General Obligation Refunding Bonds, Series 2013

On September 12, 2013, the District issued \$800,000 in Series 2013 General Obligation Refunding Bonds (Series 2013 Bonds), with annual maturities of \$10,000 to \$80,000, through December 1, 2024, interest at 3.17%, and payable semiannually. The Series 2013 Bonds are issued pursuant to the Bond Resolution and the District is to levy property taxes sufficient to pay the annual principal and interest on the Series 2013 Bonds.

Promissory Note

On October 13, 2017, the District entered into a promissory note agreement for \$200,000 that matures on October 13, 2022. The note requires monthly payments of \$3,629, bears interest at 3.35% and is collateralized by the equipment purchased with the proceeds of the note.

Scheduled principal and interest payments on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 243,856	\$ 23,757
2021	180,113	15,493
2022	164,917	9,443
2023	84,249	4,963
2024	80,000	2,536
Total	<u>\$ 753,135</u>	<u>\$ 56,192</u>

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 LINE OF CREDIT

On August 14, 2019, the District entered into a revolving line of credit with a financial institution in the amount of \$300,000. The revolving line of credit bears interest at the daily Points West Community Bank Commercial Reference Rate minus 2.1% (5.75% as of December 31, 2019) and matures on July 23, 2020. The revolving line of credit is secured by the District's accounts receivable. As of December 31, 2019 there was no balance outstanding.

NOTE 10 RESTRICTED NET POSITION

At December 31, the restricted nonexpendable net position was available for the following:

	2019	2018
Restricted Nonexpendable Net Position - Endowment	\$ 49,631	\$ 49,457

The District received funds from a contributor to establish an endowment. The earnings on the endowment can be expended to support the District's activities.

NOTE 11 PENSION PLAN

The District has a defined contribution profit sharing pension plan (the Plan) under which employees become eligible upon hire to participate in the Plan if the employee works more than 32 hours per week. The Plan was established by and can be amended by the authority of the District's board of directors. Employees are always 100% vested in their accounts under the Plan. Distributions can be made by the participant from their vested account balance upon reaching retirement age or terminating employment with the District. Employer contributions are a match of the employee contributions up to a percent of annual salary, for eligible participating employees and are deposited with the plan trustee who invests the plan assets. The contribution percentage is set by the board of directors on an annual basis. Total pension plan expense for the years ending December 31, 2019, 2018, and 2017 was \$61,502, \$64,251, and \$59,500, respectively.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 12 COMMITMENTS AND CONTINGENCIES

Risk Management

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

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected losses, which are not covered by insurance, if any. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Malpractice Claims

The District pays fixed premiums for annual medical malpractice insurance coverage under an occurrence policy. Under such policy, claims are covered only if the incident occurred during the policy term. The District is not aware of any unasserted claims, unreported incidents, or claims outstanding, which are expected to exceed malpractice insurance coverage limits as of December 31, 2019. Further, the District is subject to the provisions of the Colorado Government Immunity Act, which provides limitations on the liability of the District.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services. The District records allowances where the government has shown a pattern of adjusting periodic reports submitted by the District, including Medicare cost reports or tax reporting, or where internal reviews indicate the possibility of future adjustments. Management believes that the District is in substantial compliance with current laws and regulations.

**HAXTUN HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence of care
- Environmental pollution
- Violation of a regulatory body's rules and regulations
- Violation of federal and/or state laws

No other contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

NOTE 13 SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

In April 2020, the District received payments under the Medicare Accelerated and Advanced Payment Program (the Program) of approximately \$2,128,000 to help with cash flow during the COVID-19 pandemic. Under the Program, Critical Access Hospitals have up to one year from the date the accelerated payment was made to repay the balance. The District also received a loan under the Paycheck Protection Act (the PPP) of approximately \$1,000,000 to help with cash flow during the COVID-19 pandemic. Under the PPP, the loan can be forgiven if certain requirements are met. The amount of the loan forgiven will be treated as a grant. Any portion of the PPP loan that is not forgiven will carry an interest rate of 1% and must be repaid by April 2022. The District also received approximately \$3,441,000 under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) which is treated as a grant and recognized as the terms and conditions are met.

**HAXTUN HOSPITAL DISTRICT
BUDGETED AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net Patient Service Revenue	\$ 8,873,941	\$ 8,964,428	\$ (90,487)
Other	68,327	51,733	16,594
Total Operating Revenues	8,942,268	9,016,161	(73,893)
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	5,964,416	5,868,261	(96,155)
Other	3,517,027	3,389,016	(128,011)
Total Operating Expenses	9,481,443	9,257,277	(224,166)
OPERATING LOSS	(539,175)	(241,116)	(298,059)
Nonoperating Revenues	1,019,677	489,713	529,964
EXCESS OF REVENUES OVER EXPENSES	\$ 480,502	\$ 248,597	\$ 231,905



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Haxtun Hospital District
Haxtun, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Haxtun Hospital District (the District), which comprise the statement of net position as of December 31, 2019, and the related statement 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 July 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of 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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion of the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Denver, Colorado
July 22, 2020