



**SOUTHERN TELLER COUNTY  
HEALTH SERVICES DISTRICT**

**Management's Discussion and Analysis,**

**Financial Statements and**

**Supplemental Information**

**For the Years Ended December 31, 2019 and 2018**

**And**

**Independent Auditors' Report**

# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Southern Teller County Health Services District  
Cripple Creek, Colorado

We have audited the accompanying financial statements of Southern Teller County Health Services District (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **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 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. Those standards require that we plan and perform the audit 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 auditor's 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 Southern Teller County Health Services District as of December 31, 2019 and 2018, 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.

### **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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 supplemental 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.

### **Report on Other Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental combining financial statements and the budgeted and actual revenues and expenses, 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Stockman Kast Ryan + Co. LLP*

July 30, 2020

# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This management's discussion and analysis of the financial performance of Southern Teller County Health Services 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.

### Financial Highlights

- Net position increased by \$415,020 in 2019 compared with an increase of \$463,349 in 2018.
- Operating revenues increased by \$300,750 in 2019.
- Operating expenses increased by \$475,982 in 2019.
- Property tax revenue increased by \$154,067 in 2019.
- Grant revenue decreased by \$21,937 in 2019.

### Financial Statements

The District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in financial position and cash flows in a manner similar to private-sector businesses. 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. 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*.

The *statement of net position* presents information on the District's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and non-operating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the District's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year.

### Financial Position

	2019	2018	2017
Assets:			
Current assets	\$ 4,381,393	\$ 3,546,232	\$ 3,109,998
Capital assets, net	<u>1,704,098</u>	<u>1,722,193</u>	<u>1,624,862</u>
Total assets	<u>\$ 6,085,491</u>	<u>\$ 5,268,425</u>	<u>\$ 4,734,860</u>

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current liabilities	\$ 304,035	\$ 231,766	\$ 302,926
Deferred inflows – deferred property tax revenue	<u>1,536,098</u>	<u>1,206,321</u>	<u>1,064,945</u>
Net position:			
Net investment in capital assets	1,704,098	1,722,193	1,624,862
Restricted for emergency reserve	58,389	159,209	143,709
Unrestricted	<u>2,482,871</u>	<u>1,948,936</u>	<u>1,598,418</u>
Total net position	<u>4,245,358</u>	<u>3,830,338</u>	<u>3,366,989</u>
Total liabilities, deferred inflows and net position	<u>\$ 6,085,491</u>	<u>\$ 5,268,425</u>	<u>\$ 4,734,860</u>

Current assets and net position increased due primarily to operating revenues and property tax revenue exceeding the losses from operations during 2019 and 2018. See information on capital assets below under Capital Assets.

### **Operating Results and Changes in the District's Net Position**

The District's net position increased by \$415,020 in 2019, compared with an increase in 2018 of \$463,349. These changes in net position are made up of different components as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Operating revenues:			
Net patient service revenue	\$ 4,313,566	\$ 3,987,046	\$ 3,637,417
Other operating revenues	<u>69,638</u>	<u>95,408</u>	<u>53,919</u>
Total operating revenues	<u>4,383,204</u>	<u>4,082,454</u>	<u>3,691,336</u>
Operating expenses:			
Salaries and wages	3,168,620	2,925,019	2,465,067
Employee benefits	886,899	789,047	637,869
Purchased services and professional fees	552,022	558,649	748,056
Depreciation	280,773	223,109	220,068
Contributed building rent and fuel	55,560	55,907	53,299
Other	<u>839,073</u>	<u>755,234</u>	<u>723,440</u>
Total operating expenses	<u>5,782,947</u>	<u>5,306,965</u>	<u>4,847,799</u>
Non-operating income, net	<u>1,798,228</u>	<u>1,586,964</u>	<u>1,205,498</u>
Excess of revenues over expenses before grants restricted for capital assets	<u>398,485</u>	<u>362,453</u>	<u>49,035</u>
Grants restricted for capital assets	<u>16,535</u>	<u>100,896</u>	<u>155,151</u>
Increase in net position	<u>\$ 415,020</u>	<u>\$ 463,349</u>	<u>\$ 204,186</u>

The increase in the change in net position is primarily the result of increases in property tax revenues. Operating revenues increased \$300,750 due primarily to increase in residency at the Nursing Home. Expenses increased \$475,982 from 2018 to 2019 due mainly to an increase in salaries and wages due to moving the Dietary labor services in-house.

**The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating income and non-operating income discussed above.

**Capital Assets**

At December 31, 2019 and 2018, the District had \$1,704,098 and \$1,722,193, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. During 2019, the District acquired capital assets of \$263,412. Depreciation expense totaled \$280,773 during 2019.

**Budgetary Comparison**

During 2019, the District's increase in net position of \$415,020 was over budget by \$145,432. See further information on page 16.

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances. If you have any questions about this report or need additional financial information, contact District Administration at (719) 689-2931.

# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

## STATEMENTS OF NET POSITION DECEMBER 31, 2019 AND 2018

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	2019	2018
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and equivalents	\$ 2,335,829	\$ 1,624,452
Cash held for residents	14,932	15,126
Property taxes receivable	1,536,098	1,206,321
Patient accounts receivable, net	293,726	500,919
Inventory	105,345	70,042
Other current assets	<u>95,463</u>	<u>129,372</u>
Total current assets	4,381,393	3,546,232
CAPITAL ASSETS, NET	<u>1,704,098</u>	<u>1,722,193</u>
TOTAL	<u>\$ 6,085,491</u>	<u>\$ 5,268,425</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 59,577	\$ 37,212
Accrued expenses and other current liabilities	229,526	179,428
Deposits from residents	<u>14,932</u>	<u>15,126</u>
Total current liabilities	<u>304,035</u>	<u>231,766</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	<u>1,536,098</u>	<u>1,206,321</u>
NET POSITION		
Net investment in capital assets	1,704,098	1,722,193
Restricted for emergency reserve	58,389	159,209
Unrestricted	<u>2,482,871</u>	<u>1,948,936</u>
Total net position	<u>4,245,358</u>	<u>3,830,338</u>
TOTAL	<u>\$ 6,085,491</u>	<u>\$ 5,268,425</u>

See notes to financial statements.

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## SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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	2019	2018
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts of \$79,759 and \$570,802, respectively	\$ 4,313,566	\$ 3,987,046
Contributed building rent and fuel	55,560	55,907
Other operating revenue	<u>14,078</u>	<u>39,501</u>
Total operating revenues	<u>4,383,204</u>	<u>4,082,454</u>
OPERATING EXPENSES		
Salaries and wages	3,168,620	2,925,019
Employee benefits	886,899	789,047
Purchased services and professional fees	552,022	558,649
Depreciation	280,774	223,109
Contributed building rent and fuel	55,560	55,907
Other	<u>839,072</u>	<u>755,234</u>
Total operating expenses	<u>5,782,947</u>	<u>5,306,965</u>
LOSS FROM OPERATIONS	<u>(1,399,743)</u>	<u>(1,224,511)</u>
NON-OPERATING INCOME (EXPENSE)		
Property taxes	1,317,986	1,163,919
Non-capital grants and gifts	480,134	417,710
Interest income	841	323
Other	<u>(733)</u>	<u>5,012</u>
Non-operating income, net	<u>1,798,228</u>	<u>1,586,964</u>
REVENUES OVER EXPENSES BEFORE OTHER CHANGES IN NET POSITION	398,485	362,453
OTHER CHANGES IN NET POSITION		
Grants restricted for capital assets	<u>16,535</u>	<u>100,896</u>
INCREASE IN NET POSITION	415,020	463,349
NET POSITION, Beginning of year	<u>3,830,338</u>	<u>3,366,989</u>
NET POSITION, End of year	<u>\$ 4,245,358</u>	<u>\$ 3,830,338</u>

See notes to financial statements.

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# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Receipts from and on behalf of patients	\$ 4,520,759	\$ 3,870,920
Payments to suppliers and contractors	(1,370,123)	(1,462,475)
Payments to employees	(4,005,421)	(3,678,931)
Other receipts, net	<u>14,078</u>	<u>39,501</u>
Net cash used in operating activities	<u>(840,707)</u>	<u>(1,230,985)</u>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Non-capital grants and gifts	480,134	417,710
Property taxes	<u>1,317,986</u>	<u>1,163,919</u>
Net cash provided by non-capital financing activities	<u>1,798,120</u>	<u>1,581,629</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(263,412)	(331,101)
Grants restricted for capital assets	16,535	100,896
Proceeds from disposal of capital assets	<u>                    </u>	<u>15,673</u>
Net cash used in capital and related financing activities	<u>(246,877)</u>	<u>(214,532)</u>
<b>INVESTING ACTIVITIES</b>		
Net cash provided by investing activities —		
Investment income	<u>841</u>	<u>323</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	711,377	136,435
CASH AND EQUIVALENTS, Beginning of year	<u>1,624,452</u>	<u>1,488,017</u>
CASH AND EQUIVALENTS, End of year	<u>\$ 2,335,829</u>	<u>\$ 1,624,452</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Loss from operations	\$ (1,399,743)	\$(1,224,511)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	280,774	223,109
Changes in operating assets and liabilities:		
Patient accounts receivable, net	207,193	(116,126)
Inventory and other current assets	(1,394)	(46,235)
Accounts payable and accrued expenses	<u>72,463</u>	<u>(67,222)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (840,707)</u>	<u>\$(1,230,985)</u>

See notes to financial statements.

# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General** — Southern Teller County Health Services District (the District) is located in Cripple Creek, Colorado. The District operates Cripple Creek Care Center (the Nursing Home) and S.W.T.C. Emergency Medical Services (EMS). The District also includes a fund which accounts for the Mill Levy and Board of Director (Mill Levy) bank accounts and related activity. The District is governed by a Board of Directors consisting of individuals elected by residents of the District. The District does not have component units and is not a component unit of another governmental entity.

**Basis of Presentation** — The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (GASB). The financial statements 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 non-exchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, property taxes, investment income, and interest expense are included in non-operating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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 and Equivalents** — The District considers all liquid investments with the original maturities of three months or less to be cash equivalents.

**Property Taxes** — The District received approximately 21% and 20% of its financial support from property taxes during 2019 and 2018, respectively. These funds were used to support operations.

Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. Assessed values are an approximation of market value. Under Colorado law, all property taxes attach as an enforceable lien on the property as of January 1 in the year following that in which they are levied. Taxes are levied for the current year prior to November 1 and are payable in full April 30 of the subsequent year or in two installments on February 28 and June 15. Revenue from property taxes is recognized in the year for which the taxes are levied.

**Inventory** — Inventory is stated at the lower of cost, determined using the first-in, first-out basis, or net realizable value.

**Capital Assets** — Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. The District capitalizes all capital assets exceeding \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements 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:

Land improvements	5 – 20 years
Buildings and leasehold improvements	4 – 40 years
Equipment	3 – 20 years

**Net Position** — The District's net position is classified in the following components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Income Taxes** — The District is exempt from income taxes under the Internal Revenue Code and State law.

**Subsequent Events** — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. PATIENT ACCOUNTS RECEIVABLE, NET

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for bad debts 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 bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the patient or third-party payor. The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. The mix of receivables from third-party payers and patients as of December 31, 2019 and 2018 is as follows:

	2019	2018
Medicaid	45%	43%
Private Pay	30%	24%
Other third-party payors	20%	25%
Medicare	<u>5%</u>	<u>8%</u>
Total	100%	100%

Patient accounts receivable are net of allowances for bad debts and contractual adjustments of \$216,664 and \$707,538 as of December 31, 2019 and 2018, respectively.

## 3. NET PATIENT SERVICE REVENUE

The District has agreements with third-party payers that provide for payments to the District 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 include estimated retroactive revenue adjustments and a provision for bad debts.

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

**Medicare** — The District is designated as a Critical Access Hospital and is reimbursed on a cost basis. The District is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the District and audit thereof by the Medicare fiscal intermediary.

**Medicaid** — Services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates and cost reimbursement methodologies. The District is reimbursed at a tentative rate with final settlement determined after audits by the Medicaid fiscal intermediary.

Approximately 68% and 86% of net patient service revenues are from participation in the Medicare and Medicaid programs for the years ended December 31, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change

materially in the near term. Net patient service revenue increased by approximately \$327,000 and \$350,000 during 2019 and 2018, respectively, as the result of prior-year settlements.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. 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.

The State of Colorado has implemented a provider fee on Medicaid providers which generates additional federal matching funds. Provider fee revenue and expense were as follows for the years ended December 31, 2019 and 2018:

Capital assets activity is as follows for the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Provider fee revenue	\$ 351,968	\$ 318,902
Provider fee expense	<u>260,742</u>	<u>242,575</u>
Net excess of revenue over expense	<u>\$ 612,710</u>	<u>\$ 561,477</u>

Provider fee revenue has been recorded within net patient service revenue and provider fee expense has been recorded within other operating expenses in the accompanying financial statements.

#### **4. DEPOSITS**

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which 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 102% of the aggregate uninsured deposits.

At December 31, 2019 and 2018, the carrying amount of the District's cash is \$2,335,829 and \$1,624,452, respectively. The bank balances of these accounts total \$2,382,836 and \$1,689,278, respectively. Of the bank balances, \$754,171 and \$759,204 was covered by federal depository insurance and \$1,628,665 and \$930,074 is collateralized with securities held by the pledging financial institution as of December 31, 2019 and 2018, respectively.

## 5. CAPITAL ASSETS

Capital assets activity is as follows for the years ended December 31, 2019 and 2018:

	Balance at January 1, 2019	Additions	Decreases	Balance at December 31, 2019
<b>2019:</b>				
Land and improvements	\$ 140,337			\$ 140,337
Building and leasehold improvements	1,538,452	\$ 39,965		1,578,417
Equipment	<u>1,844,666</u>	<u>223,447</u>	<u>\$ (4,150)</u>	<u>2,063,963</u>
Total capital assets	3,523,455	263,412	(4,150)	3,782,717
Total accumulated depreciation	<u>(1,801,262)</u>	<u>(280,774)</u>	<u>3,417</u>	<u>(2,078,619)</u>
Capital assets, net	<u>\$ 1,722,193</u>	<u>\$ (17,362)</u>	<u>\$ (733)</u>	<u>\$ 1,704,098</u>
<b>2018:</b>				
Land and improvements	\$ 140,337			\$ 140,337
Building and leasehold improvements	1,533,752	\$ 4,700		1,538,452
Equipment	<u>1,687,325</u>	<u>326,401</u>	<u>\$ (169,060)</u>	<u>1,844,666</u>
Total capital assets	3,361,414	331,101	(169,060)	3,523,455
Total accumulated depreciation	<u>(1,736,552)</u>	<u>(223,109)</u>	<u>158,399</u>	<u>(1,801,262)</u>
Capital assets, net	<u>\$ 1,624,862</u>	<u>\$ 107,992</u>	<u>\$ (10,661)</u>	<u>\$ 1,722,193</u>

## 6. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2019 and 2018.

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Further, the District is subject to the provisions of the Colorado Government Immunity Act which provides a limitation on the liability of the District. 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 and 2018.

## 7. TAX, SPENDING AND DEBT LIMITATIONS

In 1999 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local governments and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The District believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

The District has recorded an emergency reserve of 3% of its annual spending as required by TABOR.

## **8. SUBSEQUENT EVENT**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The adverse economic effects of the COVID-19 outbreak have materially decreased the District's ability to admit new residents based on the restrictions in place by governments trying to curb the outbreak. This will lead to the District not achieving its revenue goals in fiscal year 2020 and the District's overall liquidity.

The District is dependent on its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives have impacted the District's ability to deploy its workforce effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact revenue in fiscal year 2020 and the District's overall liquidity.

**SOUTHERN TELLER COUNTY  
HEALTH SERVICES DISTRICT**

**Supplemental Information**

# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

## COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2019

	NURSING HOME	S.W.T.C. EMS	MILL LEVY	TOTALS
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and equivalents	\$ 405,720	\$ 520,979	\$ 1,409,130	\$ 2,335,829
Cash held for residents	14,932			14,932
Property taxes receivable			1,536,098	1,536,098
Patient accounts receivable, net	269,852	23,874		293,726
Inventory	19,986	85,359		105,345
Other current assets	84,959	10,504		95,463
Due to / from affiliates		20,000	(20,000)	
Total current assets	795,449	660,716	2,925,228	4,381,393
CAPITAL ASSETS, NET	1,231,675	472,423		1,704,098
TOTAL	\$ 2,027,124	\$ 1,133,139	\$ 2,925,228	\$ 6,085,491
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
CURRENT LIABILITIES				
Accounts payable	\$ 37,296	\$ 22,281		\$ 59,577
Accrued expenses and other current liabilities	166,548	62,978		229,526
Deposits from residents	14,932			14,932
Total current liabilities	218,776	85,259	\$ —	304,035
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue			1,536,098	1,536,098
NET POSITION				
Net investment in capital assets	1,231,675	472,423		1,704,098
Restricted for emergency reserve	12,782	44,072	1,535	58,389
Unrestricted	563,891	531,385	1,387,595	2,482,871
Total net position	1,808,348	1,047,880	1,389,130	4,245,358
TOTAL	\$ 2,027,124	\$ 1,133,139	\$ 2,925,228	\$ 6,085,491

# SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2019

	NURSING HOME	S.W.T.C. EMS	MILL LEVY	TOTALS
<b>OPERATING REVENUES</b>				
Net patient service revenue	\$ 3,941,783	\$ 371,783		\$ 4,313,566
Contributed building rent and fuel		55,560		55,560
Other operating revenue	12,123	1,955		14,078
Total operating revenues	3,953,906	429,298	\$ —	4,383,204
<b>OPERATING EXPENSES</b>				
Salaries and wages	2,317,855	850,765		3,168,620
Employee benefits	555,477	331,422		886,899
Purchased services and professional fees	479,854	36,751	35,417	552,022
Depreciation	176,416	104,358		280,774
Contributed building rent and fuel		55,560		55,560
Other	733,125	90,206	15,741	839,072
Total operating expenses	4,262,727	1,469,062	51,158	5,782,947
LOSS FROM OPERATIONS	(308,821)	(1,039,764)	(51,158)	(1,399,743)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Property taxes			1,317,986	1,317,986
Non-capital grants and gifts		480,134		480,134
Interest income	841			841
Other	(698)		(35)	(733)
Non-operating income, net	143	480,134	1,317,951	1,798,228
REVENUES OVER (UNDER) EXPENSES BEFORE OTHER CHANGES IN NET POSITION	(308,678)	(559,630)	1,266,793	398,485
<b>OTHER CHANGES IN NET POSITION</b>				
Transfers from (to) affiliates	177,293	738,253	(915,546)	
Grants restricted for capital assets		16,535		16,535
INCREASE (DECREASE) IN NET POSITION	(131,385)	195,158	351,247	415,020
NET POSITION, Beginning of year	1,939,733	852,722	1,037,883	3,830,338
NET POSITION, End of year	\$ 1,808,348	\$ 1,047,880	\$ 1,389,130	\$ 4,245,358

## SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

### SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES – COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2019

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	Budget	Actual	Favorable (Unfavorable) Variance
<b>OPERATING REVENUES</b>			
Net patient service revenue	\$ 4,346,943	\$ 4,313,566	\$ (33,377)
Contributed building rent and fuel		55,560	55,560
Other operating revenue	<u>9,800</u>	<u>14,078</u>	<u>4,278</u>
Total operating revenues	<u>4,356,743</u>	<u>4,383,204</u>	<u>26,461</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	4,071,995	4,055,519	16,476
Contributed building rent and fuel		55,560	(55,560)
Other	<u>1,493,809</u>	<u>1,671,868</u>	<u>(178,059)</u>
Total operating expenses	<u>5,565,804</u>	<u>5,782,947</u>	<u>(217,143)</u>
LOSS FROM OPERATIONS	<u>(1,209,061)</u>	<u>(1,399,743)</u>	<u>(190,682)</u>
<b>NON-OPERATING INCOME AND CAPITAL GRANTS</b>			
Property taxes	1,207,352	1,317,986	110,634
Non-capital and capital grants and gifts	271,332	496,669	225,337
Other	<u>                    </u>	<u>108</u>	<u>108</u>
Total non-operating income and capital grants	<u>1,478,684</u>	<u>1,814,763</u>	<u>336,079</u>
INCREASE IN NET POSITION	<u>\$ 269,623</u>	<u>\$ 415,020</u>	<u>\$ 145,397</u>