

**CHEYENNE COUNTY HOSPITAL
DISTRICT NO. 3**

DBA Cheyenne Manor Nursing Home

FINANCIAL STATEMENTS
With Independent Auditors' Report

Years Ended December 31, 2020 and 2019

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
TABLE OF CONTENTS
DECEMBER 31, 2020 AND 2019

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements:	
Statements of Net Position	1
Statements of Revenue, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	5
Supplemental Information:	
Schedule of Revenue, Expenditures and Changes in Net Position, Budget and Actual (Non-GAAP Budgetary Basis)	12



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cheyenne County Hospital District No. 3
dba Cheyenne Manor Nursing Home

We have audited the accompanying financial statements of Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenue, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Audits 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. Audits also include 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of Cheyenne County Hospital District No. 3, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cheyenne County Hospital District No. 3's basic financial statements. The supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental 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. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
March 31, 2021

CHEYENNE COUNTY HOSPITAL DISTRICT
dba CHEYENNE MANOR

Management's Discussion and Analysis
For the Year Ended December 31, 2020

This section of the report provides readers with a narrative overview and analysis of the financial activities of Cheyenne County Hospital District dba Cheyenne Manor for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the Nursing Home's financial performance.

Financial Highlights:

- Cheyenne Manor's total assets of \$4,726,584 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,191,559.
- Cheyenne Manor's total net position increased during the year by \$567,238.
- As of the close of the current fiscal year, Cheyenne Manor reported \$921,759 of capital assets, net of depreciation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Nursing Home's basic financial statements. The basic financial statements contain two components: (1) fund financial statements, and (2) notes to the financial statements. The nursing home has only one fund so there are not any government-wide financial statements.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cheyenne Manor, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The *statement of revenues, expenses, and changes in net position* presents information reporting how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Operating revenues are those revenues that are generated from the primary operations of the fund. The Nursing Home includes Medicaid and Private Pay revenue as operating revenues. All other revenues

are reported as non-operating revenues. Operating expenses are the expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The fund financial statements can be found on pages 1 to 4 of this report.

Note to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 5 through 11 of this report.

Budgetary Comparisons. Cheyenne Manor adopts an annual appropriated budget for all funds in accordance with Colorado Revised Statutes. Budgetary comparison statements are provided for the financial statements on page 12 of this report.

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of December 31, 2020, assets exceeded liabilities and deferred inflows by \$4,191,559.

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 3,804,825	\$ 3,288,301
Capital assets	<u>921,759</u>	<u>975,908</u>
Total Assets	<u>4,726,584</u>	<u>4,264,209</u>
Liabilities		
Current liabilities	<u>59,314</u>	<u>138,176</u>
Total liabilities	<u>59,314</u>	<u>138,176</u>
Deferred inflows of resources	<u>475,711</u>	<u>501,712</u>
Net position		
Investment in capital assets	921,759	975,908
Restricted	92,000	74,000
Unrestricted	<u>3,177,800</u>	<u>2,574,413</u>
Total net position	<u>\$ 4,191,559</u>	<u>\$ 3,624,321</u>

A significant portion of Cheyenne Manor’s net position represents unrestricted net position of \$3,177,800 which may be used to meet the District’s ongoing obligations to patrons.

Another significant portion of the District’s net position reflects its investment in capital assets. These assets include buildings and improvements, furniture and equipment, and vehicles. These capital assets are used to provide services to residents of the nursing home; consequently, they are not available for future spending.

Changes in Net Position

	<u>2020</u>	<u>2019</u>
Revenues		
Operating revenues:		
Charges for services	\$ 2,415,481	\$ 1,858,279
Miscellaneous	302,858	35,167
Non-operating revenues:		
Tax revenues	<u>557,244</u>	<u>528,320</u>
Investment earnings	36,411	32,933
Gain/(loss) on disposal	<u>(926)</u>	<u>40,418</u>
Total revenues	<u>3,311,068</u>	<u>2,495,117</u>
Expenses		
Operating expense	<u>2,651,431</u>	<u>2,566,650</u>
Depreciation	<u>92,399</u>	<u>96,929</u>
Total expenses	<u>2,743,830</u>	<u>2,663,579</u>
Change in net position	567,238	(168,462)
Net position, beginning	<u>3,624,321</u>	<u>3,792,783</u>
Net position, ending	<u>\$ 4,191,559</u>	<u>\$ 3,624,321</u>

Activities. Operating activity controls increased Cheyenne Manor's net position by \$567,238 during the current year. Key elements of this increase are as follows:

Total operating revenues increased \$824,893, up 43.6% over the prior year. This is primarily due to having more Medicaid residents than budgeted. Tax revenues increased \$28,924, up 5.5% from the prior year. In spite of the small increase in tax revenues in 2020, we anticipate a downward trend due to the latest Bill in front of the State Senate that will prohibit oil and gas exploration for the entire state of Colorado. This has been a main income source in which the facility has been able to operate. While overall revenues were up in 2020, from 2013-2019, we experienced a decrease in revenues of more than \$200,000 annually. Our Medicaid rate decreased in 2020.

Expenses increased \$80,251 in 2020. This represents an 3% overall increase from the prior year.

The largest increases for 2020 remained the employee benefits, specifically health insurance. In 2020, the board of directors continued to allow the dual plan option choices for staff, with staff paying the difference in premiums for family coverage. Property Insurance coverage changed for 2020 which created a higher premium, as well as Directors and Officers Insurance. Pool agency for nursing staff, paying overtime, and hazard pay during the COVID outbreak were other additional costs in 2020.

Spending controls are in place and concerted efforts have been made to keep expenses within the constraints of the approved budget. However, due to the ongoing decrease in occupancy, decrease in Medicaid rate, growing wages for staff, and the use of agency staff for nursing, we anticipate 2021 will have higher costs still.

Accounts significantly greater than budget included: Employer Contributions to Employee Retirement contributions due to increased participation by staff in the retirement program; Nursing wages were greater than budget for nursing wages. Nursing wages were over budget because we chose to pay overtime wages to staff due to the nursing shortage, rather than pay out as much to an agency to provide nursing staff to provide care for our residents. DON and ADON worked on the floor more due to shortage of employees. Other greater than budget items are: Administrators wages due to administrator working in COVID unit, dues/subscriptions (Zoom, DOW Sign, COVID) Maintenance supervisor taking on other duties, helping in dietary (passing meal trays) housekeeping supplies increased (Bleach, disinfectants, toilet paper, paper towels allocations). Dietary had equipment repair, new walk-in freezer, Laundry supplies increased due to COVID. Nursing contract services increased due to Stericycle pickups and covid hazard waste pickups. Nursing supplies increased due to covid requirement for masks, gowns, gloves (PPE), purchasing disposable washcloths, disposable underwear. Most department wages showed an increase due to resident having to eat in their rooms and meal trays had to be passed three times a day, all departments pitched in to help.

Overall, the facility's total expenses were \$376,992 less than budget at year end, and the Net Operating Income was \$387,323 more than budget, increasing the District's total net position by \$567,238 for 2020.

Capital Asset and Debt Administration

Capital Assets. Cheyenne Manor's net investment in capital assets as of December 31, 2020, totaled \$921,759 (net of accumulated depreciation). This investment includes all buildings and improvements, furniture and equipment, and vehicles.

The Nursing Home implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land, which is not depreciated. Additional information on the Nursing Home's capital assets can be found in Note 4 of this report.

Request for Information

This financial report is designed to provide a general overview of Cheyenne Manor's finances for all those with an interest in the entities' finances. Questions concerning any of the information provided or questions for additional financial information should be addressed to Cheyenne Manor, PO Box 938, Cheyenne Wells, CO 80810-0938.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,183,901	\$ 2,547,459
Cash with fiscal agent	3,957	68,992
Accounts receivable, net	96,711	101,250
Property tax receivable	475,711	501,712
Prepaid expenses	44,545	68,888
Total current assets	3,804,825	3,288,301
Noncurrent assets:		
Capital assets, net of depreciation	921,759	975,908
Total assets	4,726,584	4,264,209
LIABILITIES		
Current liabilities:		
Accounts payable	13,328	21,435
Accrued salaries and benefits	20,469	78,212
Other accrued liabilities	8,791	2,587
Compensated absences	16,726	35,942
Total current liabilities	59,314	138,176
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	475,711	501,712
NET POSITION		
Investment in capital assets	921,759	975,908
Restricted	92,000	74,000
Unrestricted	3,177,800	2,574,413
Total net position	\$ 4,191,559	\$ 3,624,321

The accompanying notes are an integral part of these financial statements.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for services	\$ 2,415,481	\$ 1,858,279
Miscellaneous	302,858	35,167
	<u>2,718,339</u>	<u>1,893,446</u>
OPERATING EXPENSES		
General and administrative	493,004	523,689
Building and maintenance	160,308	159,494
Laundry	40,583	34,315
Housekeeping	86,880	82,638
Dietary	301,862	293,730
Nursing	1,425,367	1,333,001
Social services	23,902	29,041
Medical Records	41,909	38,411
Activities	77,616	72,331
Depreciation	92,399	96,929
	<u>2,743,830</u>	<u>2,663,579</u>
Operating income (loss)	<u>(25,491)</u>	<u>(770,133)</u>
NON-OPERATING REVENUE (EXPENSES)		
General and specific tax revenues	557,244	528,320
Investment earnings	36,411	32,933
Gain on disposal of property	(926)	40,418
	<u>592,729</u>	<u>601,671</u>
Change in net position	567,238	(168,462)
Net position-beginning	<u>3,624,321</u>	<u>3,792,783</u>
Net position-ending	<u>\$ 4,191,559</u>	<u>\$ 3,624,321</u>

The accompanying notes are an integral part of these financial statements.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	\$ 2,420,020	\$ 1,851,918
Cash payments to suppliers for goods and services	(667,389)	(643,449)
Cash payments to employees for services	(1,984,937)	(1,886,562)
Other operating revenues	302,858	35,167
Net cash provided (used) by operating activities	70,552	(642,926)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from general and specific ownership tax revenues	557,510	527,953
Net cash provided (used) by noncapital financing activities	557,510	527,953
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Insurance recoveries	-	40,418
Acquisition of capital assets	(28,031)	(120,970)
Net cash provided (used) by capital and related financing activities	(28,031)	(80,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	36,411	32,933
Net cash provided (used) by investing activities	36,411	32,933
Net increase (decrease) in cash and cash equivalents	636,442	(162,592)
Cash and cash equivalents at beginning of year	2,547,459	2,710,051
Cash and cash equivalents at ending of year	\$ 3,183,901	\$ 2,547,459

The accompanying notes are an integral part of these financial statements.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (25,491)	\$ (770,133)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	92,399	96,929
<i>(Increase) decrease in assets:</i>		
Accounts receivable, net	4,539	(6,361)
Prepaid expenses	24,343	(3,676)
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	(19,252)	11,440
Accrued salaries and benefits	7,026	4,680
Other accrued liabilities	6,204	4,307
Compensated absences	(19,216)	19,888
Total adjustments	96,043	127,207
Net cash provided (used) by operating activities	\$ 70,552	\$ (642,926)
Schedule of non-cash investing, capital and financing activities:		
None	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cheyenne County Hospital District No. 3 (the District) also known as Cheyenne Manor Nursing Home provides long-term care for residents of Cheyenne Wells, Colorado and the surrounding area. Its residents are private pay and Medicaid. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to local governments and promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies used in the preparation of these financial statements follows.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the non-fiduciary activities of the District.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District accounts for all of its activities in a single proprietary – enterprise fund for its activities which are similar to those found in the private sector, where the determination of changes in net position is necessary or useful to sound financial administration. The business type activities of the District rely significantly upon service charges.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all certificates of deposit.

Investments

The District is authorized by Colorado statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county or school district therein.
- Notes or bonds issued to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include building and improvements, furniture and equipment, and vehicles, are reported in the statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

As the District constructs or acquires additional capital assets each period, those assets are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)

Capital Assets (Continued)

Land and construction in progress are not depreciated. Building and improvements, furniture and equipment, and vehicles are depreciated using the straight line method over the following estimated useful lives.

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied for the succeeding year are reported as unavailable property tax revenue. The unavailable property tax revenues are recognized in the succeeding year as revenue when the lien attaches and the taxes become available.

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. REVENUES AND EXPENSES

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The Cheyenne County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate was 3.884 mills for the years ended December 31, 2020 and 2019. The District's assessed valuations for 2020 and 2019 were \$129,173,990, and \$120,537,470, respectively.

Compensated Absences

A liability is recorded for vested accumulated rights to sick pay and vacation benefits. Vested accumulated sick leave and vacation is recorded as an expense and liability of the District as the benefits accrue to employees. Vacation time accrued between January 1st and December 31st must be used in full by March 31st of the following year or is forfeited. Sick leave not used prior to December 31st is forfeited.

Operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the fund are sanitation assessments, late and reconnect charges, and inspection fees. Operating expenses include all expenses incurred to provide water and sanitation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a comprehensive basis of accounting other than generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

A budget is required by Colorado State Statutes. Prior to the fiscal year end, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Prior to December 31, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 uninsured deposits.

The carrying amount of the District's deposits at December 31, 2020 and 2019 were \$3,183,901 and \$2,547,459, The bank balances at December 31, 2020 were \$3,237,884. Of those bank balances, \$500,000 was covered by federal deposit insurance and \$2,737,884 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,100,043	\$ 3,793	\$ (10,122)	\$ 2,093,714
Furniture and equipment	822,192	35,383	(2,938)	854,637
Vehicles	<u>167,214</u>	<u>-</u>	<u>-</u>	<u>167,214</u>
Total capital assets, being depreciated	3,089,449	39,176	(13,060)	3,115,565
Less accumulated depreciation	<u>(2,113,541)</u>	<u>(92,399)</u>	<u>12,134</u>	<u>(2,193,806)</u>
Total capital assets, net	<u>\$ 975,908</u>	<u>\$ (53,223)</u>	<u>\$ (926)</u>	<u>\$ 921,759</u>

NOTE 5 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The District matches the employee's contributions up to 4% of the employee's base salary. The District's contributions during 2020 were \$26,957.

NOTE 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, including worker's compensation and employee health and accident insurance. Settled claims have not exceeded insurance coverage during any of the last three fiscal years.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 - AMENDMENT TO COLORADO CONSTITUTION

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

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.

On May 2, 2000 voters in the District approved the following ballot issue, "Should Cheyenne County Hospital District d/b/a Cheyenne Manor Nursing Home be allowed to increase its mill to 3.884 mills effective January 1, 2001, for the year 2001 with the mill levy remaining at 3.884 mills for 2001 and all future years until such time as changed by the voters?"

On May 6, 2014 voters of the District approved the following ballot issue, "Without increasing any existing tax or imposing any new tax, shall all revenues received by Cheyenne County Hospital District in fiscal year 2010 and each fiscal year thereafter be collected, retained and spent without limitation or condition as a voter-approved revenue change under Article X, Section 20 of the Colorado Constitution or any other law?"

The Amendment requires that emergency reserves be established. These reserves must be at least 3 percent of Fiscal year spending (excluding bonded debt service). The District had emergency reserves of \$92,000, and \$74,000 for the years ended December 31, 2020 and 2019, respectively. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

SUPPLEMENTAL INFORMATION

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(With comparative actuals for the year ended December 31, 2019)

	<u>2019</u>	<u>2020</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUE				
Beginning fund balance	\$2,829,767	\$ 2,648,414	\$ 2,688,675	\$ (40,261)
Charges for services	1,858,279	2,415,481	2,596,333	(180,852)
Miscellaneous	35,167	302,858	30,000	272,858
General and specific tax revenues	528,320	557,244	521,623	35,621
Investment earnings	32,933	36,411	25,000	11,411
Insurance recoveries	40,418	-	-	-
Total revenue	<u>5,324,884</u>	<u>5,960,408</u>	<u>5,861,631</u>	<u>98,777</u>
EXPENDITURES				
General and administrative	523,689	493,004	789,659	296,655
Building and maintenance	159,494	160,308	164,800	4,492
Laundry	34,315	40,583	42,940	2,357
Housekeeping	82,638	86,880	74,000	(12,880)
Dietary	293,730	301,862	325,255	23,393
Nursing	1,333,001	1,425,367	1,381,820	(43,547)
Social services	29,041	23,902	27,250	3,348
Medical Records	38,411	41,909	66,800	24,891
Activities	72,331	77,616	78,650	1,034
Capital outlay	109,820	39,177	115,500	76,323
Total expenditures	<u>\$ 2,676,470</u>	<u>\$ 2,690,608</u>	<u>3,066,674</u>	<u>376,066</u>
Ending Fund Balance	\$ 2,648,414	\$ 3,269,800	<u>\$ 2,794,957</u>	<u>\$ 474,843</u>
Less:				
Insurance recoveries	(40,418)	-		
Depreciation	(96,929)	(92,399)		
Beginning fund balance	(2,829,767)	(2,648,414)		
Add:				
Gain on disposal of property	40,418	(926)		
Capital outlay	109,820	39,177		
Change in net position	<u>\$ (168,462)</u>	<u>\$ 567,238</u>		
Ending fund balance is calculated as follows:				
Current assets	\$ 3,288,301	\$ 3,804,825		
Current liabilities	(138,175)	(59,314)		
Deferred inflows	(501,712)	(475,711)		
	<u>\$ 2,648,414</u>	<u>\$ 3,269,800</u>		

See accompanying independent auditors' report.