

**East Phillips County Hospital District  
doing business as  
Melissa Memorial Hospital**

Combined Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2020 and 2019



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Table of Contents**

	<b>Page</b>
<i>INDEPENDENT AUDITORS' REPORT</i>	1-3
<i>COMBINED BASIC FINANCIAL STATEMENTS:</i>	
Combined statements of net position	4-5
Combined statements of revenues, expenses, and changes in net position	6
Combined statements of cash flows	7-8
Notes to combined basic financial statements	9-29
<i>SUPPLEMENTARY INFORMATION</i>	
Schedule of actual and budgeted revenues and expenses	30
<i>SINGLE AUDIT:</i>	
AUDITORS' SECTION:	
<i>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</i>	31-32
<i>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</i>	33



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Holyoke, Colorado

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of East Phillips County Hospital District doing business as Melissa Memorial Hospital (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the combined basic financial statements, which collectively comprise the District's combined 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 combined 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 combined 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 combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2020 and 2019, 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.

## **Emphasis of Matter**

As discussed in Note 13 to the combined basic financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 13. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the combined basic financial statements. Such missing information, although not a part of the combined 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 combined basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the combined basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of actual and budgeted revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of actual and budgeted revenues and expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the combined basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined 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 combined basic financial statements or to the combined basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of actual and budgeted revenues and expenses is fairly stated in all material respects in relation to the combined basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2021, 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 for the year ended December 31, 2020. We issued a similar report for the year ended December 31, 2019, dated May 19, 2020, which has not been included with the 2020 financial and compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 14, 2021

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Combined Statements of Net Position**  
**December 31, 2020 and 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 8,376,104	\$ 2,987,074
Certificates of deposit	3,057,332	52,643
Receivables:		
Patient accounts	2,335,119	2,244,543
Taxes	990,256	989,655
Other	292,216	242,166
Estimated third-party payor settlements	517,000	1,052,000
Inventories	836,922	815,063
Prepaid expenses	403,435	465,460
Total current assets	<b>16,808,384</b>	<b>8,848,604</b>
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted by debt agreement	4,033,117	4,028,816
Capital assets, net	14,008,816	14,051,909
Total noncurrent assets	<b>18,041,933</b>	<b>18,080,725</b>
<b>Total assets</b>	<b>\$ 34,850,317</b>	<b>\$ 26,929,329</b>

*See accompanying notes to combined basic financial statements.*

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Combined Statements of Net Position (Continued)**  
**December 31, 2020 and 2019**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2020</b>	<b>2019</b>
<i>Current liabilities</i>		
Estimated third-party payor settlements	\$ 955,000	\$ -
Medicare accelerated payments payable	2,679,266	-
Current maturities of long-term debt	957,398	862,479
Accounts payable	862,574	770,207
Accrued compensation and related liabilities	665,660	797,110
Accrued interest	39,561	39,561
Unearned CARES Act Provider Relief Fund	1,816,611	-
Total current liabilities	7,976,070	2,469,357
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	11,817,013	12,427,830
Paycheck Protection Program loan	1,452,355	-
Total noncurrent liabilities	13,269,368	12,427,830
Total liabilities	21,245,438	14,897,187
<i>Deferred inflows of resources, property taxes</i>	990,206	989,655
<i>Net position</i>		
Net investment in capital assets	1,194,844	722,039
Restricted for debt service	4,033,117	4,028,816
Unrestricted	7,386,712	6,291,632
Total net position	12,614,673	11,042,487
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 34,850,317</b>	<b>\$ 26,929,329</b>

*See accompanying notes to combined basic financial statements.*

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Combined Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<i>Operating revenues</i>		
Net patient service revenue	\$ 17,331,476	\$ 16,398,430
Grants	376,243	208,150
Other	174,390	184,591
<b>Total operating revenues</b>	<b>17,882,109</b>	<b>16,791,171</b>
<i>Operating expenses</i>		
Salaries and wages	6,993,949	7,393,225
Employee benefits	1,528,329	1,501,431
Insurance	189,702	131,525
Professional fees	2,093,902	1,696,410
Purchased services	2,784,140	2,405,482
Provider tax fees	354,589	273,307
Supplies	2,711,633	2,236,018
Utilities	387,593	381,751
Repairs and maintenance	131,250	112,361
Rentals and leases	51,290	123,353
Depreciation and amortization	1,422,701	1,239,557
Other	652,416	698,449
<b>Total operating expenses</b>	<b>19,301,494</b>	<b>18,192,869</b>
<i>Operating loss</i>	<b>(1,419,385)</b>	<b>(1,401,698)</b>
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	1,099,635	1,059,637
Contributions	30,884	40,335
CARES Act Provider Relief Fund	2,093,087	-
Investment income	7,682	23,158
Interest expense	(503,041)	(506,351)
<b>Total nonoperating revenues, net</b>	<b>2,728,247</b>	<b>616,779</b>
Excess of revenues (expenses) before capital grants and contributions	<b>1,308,862</b>	<b>(784,919)</b>
<i>Capital grants and contributions</i>	<b>263,324</b>	<b>804,591</b>
Change in net position	<b>1,572,186</b>	<b>19,672</b>
Net position, beginning of year	<b>11,042,487</b>	<b>11,022,815</b>
<b>Net position, end of year</b>	<b>\$ 12,614,673</b>	<b>\$ 11,042,487</b>

See accompanying notes to combined basic financial statements.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 18,730,900	\$ 15,156,054
Cash received from other revenue	124,290	200,489
Cash received from grants	376,243	208,150
Cash paid to and on behalf of employees	(8,653,728)	(8,713,547)
Cash paid to suppliers and contractors	(9,223,982)	(8,189,841)
Net cash provided by (used in) operating activities	<b>1,353,723</b>	<b>(1,338,695)</b>
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	1,099,635	1,059,637
Cash received from contributions and donations	30,884	40,335
CARES Act Provider Relief Fund	3,909,698	-
Paycheck Protection Program loan	1,452,355	-
Medicare accelerated payments	2,679,266	-
Net cash provided by noncapital financing activities	<b>9,171,838</b>	<b>1,099,972</b>
<i>Cash flows from capital and related financing activities</i>		
Principal payments on long-term debt	(1,004,650)	(857,531)
Interest paid on long-term debt	(503,041)	(506,351)
Purchase of capital assets	(890,856)	(1,009,349)
Cash received from capital grants and contributions	263,324	804,591
Net cash used in capital and related financing activities	<b>(2,135,223)</b>	<b>(1,568,640)</b>
<i>Cash flows from investing activities</i>		
Purchase of investments	(3,004,689)	-
Investment interest received	7,682	22,343
Net cash provided by (used in) investing activities	<b>(2,997,007)</b>	<b>22,343</b>
Net increase (decrease) in cash and cash equivalents	<b>5,393,331</b>	<b>(1,785,020)</b>
Cash and cash equivalents, beginning of year	<b>7,015,890</b>	<b>8,800,910</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,409,221</b>	<b>\$ 7,015,890</b>

*See accompanying notes to combined basic financial statements.*

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Combined Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b><i>Reconciliation of Cash and Cash Equivalents</i></b>		
<b><i>to the Combined Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 8,376,104	\$ 2,987,074
Cash and cash equivalents restricted by debt agreement	4,033,117	4,028,816
<b>Total cash and cash equivalents</b>	<b>\$ 12,409,221</b>	<b>\$ 7,015,890</b>
<b><i>Reconciliation of Operating Loss to Net Cash</i></b>		
<b><i>Provided by (Used in) Operating Activities</i></b>		
Operating loss	\$ (1,419,385)	\$ (1,401,698)
<i>Adjustments to reconcile operating loss to net cash</i>		
<i>provided by (used in) operating activities</i>		
Depreciation and amortization	1,422,701	1,239,557
Provision for bad debts	391,052	957,115
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(481,628)	(768,491)
Estimated third-party payor settlements	535,000	(991,000)
Other	(50,100)	15,898
Inventories	(21,859)	(137,557)
Prepaid expenses	62,025	(138,359)
Increase (decrease) in liabilities:		
Accounts payable	92,367	144,731
Accrued compensation and related liabilities	(131,450)	181,109
Estimated third-party payor settlements	955,000	(440,000)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,353,723</b>	<b>\$ (1,338,695)</b>

***Noncash Investing, Capital, and Financing Activities***

During the year ended December 31, 2020, the District entered into a capital lease obligation in the amount of \$488,752 to finance the purchase of CT scanner.

During the year ended December 31, 2019, the District entered into a capital lease obligation in the amount of \$1,063,498 to finance the purchase of a magnetic resonance imaging scanner.

*See accompanying notes to combined basic financial statements.*

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements**  
**Years Ended December 31, 2020 and 2019**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

East Phillips County Hospital District (the District) doing business as Melissa Memorial Hospital (the Hospital), is a 15-bed critical access hospital and a rural health clinic. The District provides healthcare services to patients in the Holyoke, Colorado, area. The services provided include acute care, emergency room, physicians' clinics, and related ancillary procedures (laboratory, imaging, therapy, etc.).

The Hospital is governed by a five-member Board of Directors who serve terms of four years.

As required by accounting principles generally accepted in the United States of America, the combined basic financial statements present the District—the primary government—and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operations and financial relationship with the District.

Melissa Memorial Hospital Corporation (MMHC) was created by the District in 2006 as a non-profit corporation to facilitate financing of a replacement hospital project. MMHC is included as a blended component unit of the Hospital. The financial statements include only the financial activity of the District and MMHC, collectively referred to as the District.

As an essential government function, the District is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of the state law.

MMHC is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). MMHC is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, MMHC is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. MMHC has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

**b. Summary of Significant Accounting Policies**

*Use of estimates* – The preparation of combined basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and the 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.

*Enterprise fund accounting* – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

*Cash and cash equivalents* – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. All cash receipts are deposited directly to the District's depository accounts at banks.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Inventories* – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

*Prepaid expenses* – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and other expenses.

*Accrued vacation* – The District’s policy is to permit employees to accumulate earned but unused paid time off and holiday benefits up to a maximum range of 240 to 400 hours, depending on their years of service. The District recognizes an expense for vacation when it is earned.

*Net position* – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

*Operating revenue and expenses* – The District’s combined statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services—the District’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

*Restricted resources* – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

*Grants and contributions* – From time to time, the District receives grants from the state of Colorado and others as well as 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 restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

*Reclassifications* – Certain reclassifications have been made to the 2019 financial statements to conform to the classifications used in the 2020 financial statements, with no effect on previously reported change in net position.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Subsequent events* – Subsequent events have been reviewed through June 14, 2021, the date on which the financial statements were available to be issued.

*Upcoming accounting standards pronouncements* – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for reporting periods beginning after December 31, 2022. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**2. Bank Deposits and Investments:**

*Custodial credit risk* – Custodial credit risk is the risk that in the event of a depository institution failure the District's deposits may not be returned.

Under Colorado State Statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts if the bank holding the public deposits becomes insolvent. As defined by the PDPA, deposit accounts include checking, savings, bank money market, and certificate of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

The District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation or by deposits collateralized by securities not held in the District's name under the PDPA.

*Credit risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization.

*Concentration of credit risk* – The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**2. Bank Deposits and Investments (continued):**

*Interest rate risk* – The possibility that an interest rate change could adversely affect an investment’s fair value. The District does not have a policy specifically managing its exposure to fair value losses arising from changing interest rates.

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District’s allowance for uncollectible accounts for self-pay patients has decreased from the prior year’s due to the aging of receivables due from patients becoming more current. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District consisted of the following amounts:

	<b>2020</b>	<b>2019</b>
Receivables from patients and their insurance carriers	\$ 1,876,735	\$ 2,069,192
Receivables from Medicare	762,647	714,815
Receivables from Medicaid	229,742	139,536
Total patient accounts receivable	<b>2,869,124</b>	2,923,543
Less allowance for uncollectible accounts	<b>534,005</b>	679,000
<b>Patient accounts receivable, net</b>	<b>\$ 2,335,119</b>	<b>\$ 2,244,543</b>

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**4. Property Taxes:**

Property taxes are levied and assessed in December on property values assessed as of January 1 of the prior year. Taxes are due in two equal amounts by February 28 and June 15, or in one installment by April 30. The assessed property is subject to lien on the levy date. 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 becomes effective on the first day of the following year. No allowance for uncollectible taxes receivable is considered necessary at the statements of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2020 and 2019, for taxes levied for 2021 and 2020, respectively.

In 2020, the District's regular tax levy was \$13.70 per \$1,000 on a total assessed valuation of \$72,237,590, for a total regular levy of \$989,655. In 2019, the District's regular tax levy was \$13.70 per \$1,000 on a total assessed valuation of \$69,101,780, for a total regular levy of \$946,694.

**5. Capital Assets:**

The District's capital assets are stated at cost. The District's policy is to capitalize all capital asset expenditures exceeding \$5,000. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When capital assets are disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts, and the resulting gain or loss is classified in nonoperating revenue or expense. Donated items are recorded at fair value at the date of contribution.

Depreciation is recorded over the estimated useful life of each class of depreciable asset using the American Hospital Association's guidelines and is computed using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The estimated useful lives used by the District are as follows:

Land improvements	8 to 20 years
Buildings and improvements	5 to 25 years
Fixed equipment	3 to 20 years
Major movable equipment	3 to 25 years

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**5. Capital Assets (continued):**

A schedule of changes in capital asset balances follows:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 266,021	\$ -	\$ -	\$ -	\$ 266,021
Construction in progress	475,408	194,723	-	(311,468)	358,663
Total capital assets not being depreciated	741,429	194,723	-	(311,468)	624,684
<i>Capital assets being depreciated</i>					
Land improvements	1,122,519	-	-	-	1,122,519
Buildings and improvements	17,265,820	114,131	-	107,613	17,487,564
Fixed equipment	247,331	-	-	-	247,331
Major movable equipment	7,859,804	1,070,754	-	203,855	9,134,413
Total capital assets being depreciated	26,495,474	1,184,885	-	311,468	27,991,827
<i>Less accumulated depreciation for</i>					
Land improvements	(931,947)	(40,442)	-	-	(972,389)
Buildings and improvements	(6,696,377)	(685,830)	-	-	(7,382,207)
Fixed equipment	(728,762)	(80,318)	-	-	(809,080)
Major movable equipment	(4,827,908)	(616,111)	-	-	(5,444,019)
Total accumulated depreciation	(13,184,994)	(1,422,701)	-	-	(14,607,695)
<i>Total capital assets being depreciated, net</i>					
	13,310,480	(237,816)	-	311,468	13,384,132
Capital assets, net	\$ 14,051,909	\$ (43,093)	\$ -	\$ -	\$ 14,008,816

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**5. Capital Assets (continued):**

	Balance December 31,				Balance December 31,
	2018	Additions	Retirements	Transfers	2019
<i>Capital assets not being depreciated</i>					
Land	\$ 266,021	\$ -	\$ -	\$ -	\$ 266,021
Construction in progress	-	475,408	-	-	475,408
Total capital assets not being depreciated	266,021	475,408	-	-	741,429
<i>Capital assets being depreciated</i>					
Land improvements	1,122,519	-	-	-	1,122,519
Buildings and improvements	17,205,809	60,011	-	-	17,265,820
Fixed equipment	206,392	40,939	-	-	247,331
Major movable equipment	6,363,315	1,496,489	-	-	7,859,804
Total capital assets being depreciated	24,898,035	1,597,439	-	-	26,495,474
<i>Less accumulated depreciation for</i>					
Land improvements	(890,965)	(40,982)	-	-	(931,947)
Buildings and improvements	(6,028,854)	(667,523)	-	-	(6,696,377)
Fixed equipment	(640,629)	(88,133)	-	-	(728,762)
Major movable equipment	(4,384,989)	(442,919)	-	-	(4,827,908)
Total accumulated depreciation	(11,945,437)	(1,239,557)	-	-	(13,184,994)
Total capital assets being depreciated, net	12,952,598	357,882	-	-	13,310,480
<b>Capital assets, net</b>	<b>\$ 13,218,619</b>	<b>\$ 833,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,051,909</b>

Construction in progress at December 31, 2020, consisted of medical equipment, which had a completion date of January 2021 and had no remaining completion costs.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**6. Long-term Debt and Capital Lease Obligations:**

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2019			Balance December 31, 2020		Amount Due Within One Year
		Additions	Reductions			
Red Capital Mortgage	\$ 10,055,700	\$ -	\$ (571,156)	\$ 9,484,544	\$ 595,685	
Original issue premium	457,036	-	(32,502)	424,534	-	
First Pioneer National Bank 2015	1,716,526	-	(95,862)	1,620,664	94,537	
Capital lease - Telemetry unit	137,310	-	(36,813)	100,497	38,619	
Capital lease - MRI unit	923,737	-	(160,113)	763,624	170,597	
Capital lease - CT Scanner	-	488,752	(108,204)	380,548	57,960	
<b>Total long-term debt</b>	<b>\$ 13,290,309</b>	<b>\$ 488,752</b>	<b>\$ (1,004,650)</b>	<b>\$ 12,774,411</b>	<b>\$ 957,398</b>	

	Balance December 31, 2018			Balance December 31, 2019		Amount Due Within One Year
		Additions	Reductions			
Red Capital Mortgage	\$ 10,603,578	\$ -	\$ (547,878)	\$ 10,055,700	\$ 571,397	
Original issue premium	489,295	-	(32,259)	457,036	-	
Highline Electric Association	8,627	-	(8,627)	-	-	
First Pioneer National Bank 2015	1,811,098	-	(94,572)	1,716,526	93,550	
Capital lease - Telemetry unit	171,744	-	(34,434)	137,310	36,445	
Capital lease - MRI unit	-	1,063,498	(139,761)	923,737	161,087	
<b>Total long-term debt</b>	<b>\$ 13,084,342</b>	<b>\$ 1,063,498</b>	<b>\$ (857,531)</b>	<b>\$ 13,290,309</b>	<b>\$ 862,479</b>	

The terms and due dates of the District's long-term debt are as follows:

***Mortgage payable to Red Capital Mortgage, LLC (Red Capital)*** – The mortgage note payable carries an interest rate of 4.17 percent per annum and payments are due in monthly installments for principal and interest of \$81,657 through May 2033. The note is secured by a leasehold deed of trust on real estate located in Phillips County. The mortgage note is insured by the Secretary of Housing and Urban Development (HUD) acting by and through the Federal Housing Commissioner, pursuant to Section 242 of the National Housing Act, as amended.

The original issue premium relates to the Red Capital mortgage. The premium is being amortized over the life of the loan using the effective interest method. Amortization is included with interest expense.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**6. Long-term Debt and Capital Lease Obligations (continued):**

*Mortgage payable to Red Capital Mortgage, LLC (Red Capital) (continued)* – Under the terms of the Regulatory Agreement with HUD, the District is required to establish a Mortgage Reserve Fund in which the deposits are held by a trustee. Such deposits are included with Restricted Cash Held for Debt Reserve in the statements of net position. The Regulatory Agreement also places restrictions on the incurrence of additional borrowings and requires that the District satisfy certain measures of financial performance as long as the mortgage note is outstanding. The agreement also requires the District to meet certain loan covenants relating to operating income which the District did not meet during 2020 and will require a plan of action describing measures being taken to improve financial operations.

*Note payable to First Pioneer National Bank* – This note payable carries a variable interest rate calculated as the sum of 0.80 percent plus the Savings Rate, but shall not exceed 9 percent. The Savings Rate is the interest rate per annum published from time to time by First Pioneer National Bank and designated as the savings rate in such publication. The interest rate on this note payable will reset when the Savings Rate is adjusted by First Pioneer National Bank. As of December 31, 2020, the interest rate was 1 percent. Payments are due in monthly installments of principal and interest of \$9,202 through December 2036.

The note payable is secured by a pledge and assignment of a combination of all security agreements, deeds of trust, mortgages, and pledge agreements. The note agreement contains covenants regarding certain financial statement amounts, ratios, and activities of the District.

*Capital lease obligations* – Capital lease obligations are due in monthly installments including principal and interest payments at varying amounts from \$3,617 to \$17,500, with interest rates of 5.75 percent through January 2027. At December 31, 2020 and 2019, the capitalized cost of the equipment acquired under capital lease obligations was \$1,740,439 and \$1,251,687, and accumulated depreciation was \$507,745 and \$203,253, respectively.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**6. Long-term Debt and Capital Lease Obligations (continued):**

Aggregate annual principal and interest payments over the terms of long-term debt are as follows:

Years Ending December 31,	Future Maturities of Long-term Debt		
	Principal	Interest	Total
2021	\$ 957,398	\$ 464,520	\$ 1,421,918
2022	994,315	422,738	1,417,053
2023	1,016,107	379,243	1,395,350
2024	1,038,025	335,623	1,373,648
2025	886,237	294,910	1,181,147
2026-2030	4,576,727	954,277	5,531,004
2031-2035	2,781,901	138,276	2,920,177
2036	99,167	597	99,764
	12,349,877	\$ 2,990,184	\$ 15,340,061
Original issue premium	424,534		
<b>Total</b>	<b>\$ 12,774,411</b>		

**7. Paycheck Protection Program Loan:**

In May 2020, the District was granted a loan from Pioneer National Bank in the aggregate amount of \$1,452,355 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The PPP loan, which was in the form of a note dated May 1, 2020, matures on April 30, 2022, and bears interest at a rate of 1 percent per annum. The note may be prepaid by the District at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after February 15, 2020. The District intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The District received notification on the forgiveness of the loan on March 3, 2021.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**8. Net Patient Service Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debt has decreased from the prior year as there was a significant cleanup of old accounts in the prior year from accounts maintained in the previous electronic health records system. The District has not changed its charity care or uninsured discount policies during 2020 or 2019. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<b>2020</b>	<b>2019</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 8,321,455	\$ 8,312,075
Medicaid	1,222,202	1,073,555
Other third-party payors	5,100,492	4,557,012
Patients	357,668	465,252
Retail pharmacy	1,668,980	1,704,806
Supplemental payments	1,236,360	1,319,090
	<b>17,907,157</b>	<b>17,431,790</b>
Less:		
Charity care	184,629	76,245
Provision for bad debts	391,052	957,115
<b>Net patient service revenue</b>	<b>\$ 17,331,476</b>	<b>\$ 16,398,430</b>

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

- *Medicare* – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient, outpatient services and rural health clinic visits on a cost basis as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. The District is 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 Medicare administrative contractor.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**8. Net Patient Service Revenue (continued):**

- *Medicaid* – Inpatient and outpatient service to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Rural health clinic visits are reimbursed on a cost basis. Physician services outside the rural health clinic are reimbursed on a fee schedule. The District is 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 Medicaid.

The District also has entered into payment agreements with certain commercial insurance carriers, managed care 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.

Laws and regulations governing Medicare, Medicaid, and other 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. Net patient service revenue decreased by approximately \$4,000 and increased by \$62,000 in 2020 and 2019, respectively, due to differences between original estimates and final settlements or revised estimates.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2020 and 2019, were approximately \$134,000 and \$56,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2020 and 2019.

**9. Retirement Plan:**

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the plan, employees become participants upon completing 90 days of service, and if working at least 1,000 hours per year. Employer contributions of 3 percent annual compensation are deposited with the plan trustee who invests the plan assets. Employer contributions were approximately \$139,000 and \$157,000 for 2020 and 2019, respectively. Employee contributions to the plan were approximately \$282,000 and \$294,000 for 2020 and 2019, respectively. Forfeitures were not material in 2020 and 2019. The District has the authority to amend the plan.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**10. Risk Management and Contingencies:**

***Medical malpractice claims*** – The District has professional liability insurance coverage with COPIC Insurance Company. The policy provides protection on a “claims-made” basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year that are not claimed until future years, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the District purchases insurance to cover prior acts. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The District does not have a deductible.

***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.

***Industry regulations*** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

***Taxpayer’s bill of rights*** – 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 amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**11. Concentrations of Risk:**

*Patient accounts receivable* – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Phillips County.

The mix of receivables from patients was as follows:

	2020	2019
Medicare	32 %	30 %
Medicaid	13	10
Other third-party payors	33	39
Patients	22	21
	<b>100 %</b>	<b>100 %</b>

*Physicians* – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on the District’s operations.

**12. CARES Act Provider Relief Fund:**

In April 2020, the District received \$3,909,698 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the year ended December 31, 2020, the District recognized \$2,093,087 of grant revenue from these funds. The District had \$1,816,611 remaining funds as of December 31, 2020, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

**13. COVID-19 Pandemic:**

The COVID-19 pandemic has created economic uncertainties which have negatively impacted the District’s financial position. Beginning in March 2020, the District began experiencing significant declines in revenues due to the state of Colorado temporarily suspending all elective surgeries and other elective procedures. In addition, the District has experienced declines in volumes of outpatient and ancillary services, such as radiology, laboratory, emergency department, and clinic visits.

The District received government grants as described in Note 12 above, as part of the federal government’s response to the pandemic.

Medicare sequestration has been suspended from May 1, 2020, through December 31, 2021, which will increase Medicare reimbursement by 2 percent.

The District also entered into the PPP loan described in Note 7 above, also a part of the federal government’s response to the pandemic.

**East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Notes to Combined Basic Financial Statements (Continued)  
Years Ended December 31, 2020 and 2019**

**13. COVID-19 Pandemic (continued):**

The District also received Medicare accelerated payments of \$2,679,266 in April 2020. The Medicare accelerated payments will begin to be repaid within one year of issuance.

The District has also implemented cost containment efforts in response to COVID-19.

In addition to accepting funding from the CARES Act Provider Relief Fund and the other funding sources noted above, the District resumed the services that had been temporarily suspended. However, the pandemic continues to affect the District's operations. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

**14. Budget to Actual Revenues and Expenses**

The District overspent its approved budget by \$392,732 in 2020.

**15. Subsequent Events**

In March 2021, the District was granted a loan from Pioneer National Bank in the aggregate amount of \$1,481,960 pursuant to the PPP under Division A, Title I of the CARES Act.

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**16. Blended Component Unit:**

The combining statement of net position for the year ended December 31, 2020, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 8,322,773	\$ 53,331	\$ -	\$ 8,376,104
Certificates of deposit	3,057,332	-	-	3,057,332
Receivables:				
Patient accounts	2,335,119	-	-	2,335,119
Taxes	990,256	-	-	990,256
Other	290,635	1,581	-	292,216
Estimated third-party payor settlements	517,000	-	-	517,000
Due from the District	-	9,484,483	(9,484,483)	-
Inventories	836,922	-	-	836,922
Prepaid expenses	395,009	8,426	-	403,435
Total current assets	16,745,046	9,547,821	(9,484,483)	16,808,384
<i>Noncurrent assets</i>				
Cash and cash equivalents restricted by debt agreement	3,997,470	35,647	-	4,033,117
Capital assets, net	14,008,816	-	-	14,008,816
Total noncurrent assets	18,006,286	35,647	-	18,041,933
<b>Total assets</b>	<b>\$ 34,751,332</b>	<b>\$ 9,583,468</b>	<b>\$ (9,484,483)</b>	<b>\$ 34,850,317</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<i>Current liabilities</i>				
Estimated third-party payor settlements	\$ 955,000	\$ -	\$ -	\$ 955,000
Medicare accelerated payments payable	2,679,266	-	-	2,679,266
Current maturities of long-term debt	361,713	595,685	-	957,398
Accounts payable	834,356	28,218	-	862,574
Accrued compensation and related liabilities	665,660	-	-	665,660
Accrued interest	39,561	-	-	39,561
Unearned CARES Act Provider Relief Fund	1,816,611	-	-	1,816,611
Due to Melissa Memorial Hospital Corporation	9,484,483	-	(9,484,483)	-
Total current liabilities	16,836,650	623,903	(9,484,483)	7,976,070
<i>Noncurrent liabilities</i>				
Long-term debt, less current maturities	2,503,620	9,313,393	-	11,817,013
Paycheck Protection Program loan	1,452,355	-	-	1,452,355
Total noncurrent liabilities	3,955,975	9,313,393	-	13,269,368
Total liabilities	20,792,625	9,937,296	(9,484,483)	21,245,438
<i>Deferred inflows of resources, property taxes</i>				
	990,206	-	-	990,206
<i>Net position</i>				
Net investment in capital assets	11,103,922	(9,909,078)	-	1,194,844
Restricted for debt service	3,997,470	35,647	-	4,033,117
Unrestricted	(2,132,891)	9,519,603	-	7,386,712
Total net position	12,968,501	(353,828)	-	12,614,673
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 34,751,332</b>	<b>\$ 9,583,468</b>	<b>\$ (9,484,483)</b>	<b>\$ 34,850,317</b>

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**16. Blended Component Unit (continued):**

The combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2020, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<i>Operating revenues</i>				
Net patient service revenue	\$ 17,331,476	\$ -	\$ -	\$ 17,331,476
Grants	376,243	-	-	376,243
Other	174,390	95,255	(95,255)	174,390
<b>Total operating revenues</b>	<b>17,882,109</b>	<b>95,255</b>	<b>(95,255)</b>	<b>17,882,109</b>
<i>Operating expenses</i>				
Salaries and wages	6,993,949	-	-	6,993,949
Employee benefits	1,528,329	-	-	1,528,329
Insurance	93,152	96,550	-	189,702
Professional fees	2,093,902	-	-	2,093,902
Purchased services	2,784,140	-	-	2,784,140
Provider tax fees	354,589	-	-	354,589
Supplies	2,711,633	-	-	2,711,633
Utilities	387,593	-	-	387,593
Repairs and maintenance	131,250	-	-	131,250
Rentals and leases	146,545	-	(95,255)	51,290
Depreciation and amortization	1,422,701	-	-	1,422,701
Other	652,416	-	-	652,416
<b>Total operating expenses</b>	<b>19,300,199</b>	<b>96,550</b>	<b>(95,255)</b>	<b>19,301,494</b>
<i>Operating loss</i>	<b>(1,418,090)</b>	<b>(1,295)</b>	<b>-</b>	<b>(1,419,385)</b>
<i>Nonoperating revenues (expenses)</i>				
Taxation for maintenance and operations	1,099,635	-	-	1,099,635
Contributions	30,884	-	-	30,884
CARES Act Provider Relief Fund	2,093,087	-	-	2,093,087
Investment income	7,682	411,587	(411,587)	7,682
Interest expense	(503,041)	(411,587)	411,587	(503,041)
<b>Total nonoperating revenues, net</b>	<b>2,728,247</b>	<b>-</b>	<b>-</b>	<b>2,728,247</b>
Excess of revenues (expenses) before capital grants and contributions	1,310,157	(1,295)	-	1,308,862
<i>Capital grants and contributions</i>	263,324	-	-	263,324
Change in net position	1,573,481	(1,295)	-	1,572,186
Net position, beginning of year	11,395,020	(352,533)	-	11,042,487
<b>Net position, end of year</b>	<b>\$ 12,968,501</b>	<b>\$ (353,828)</b>	<b>\$ -</b>	<b>\$ 12,614,673</b>

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**16. Blended Component Unit (continued):**

The combining statement of cash flows for the year ended December 31, 2020, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>				
<i>Cash flows from operating activities</i>				
Cash received from and on behalf of patients	\$ 18,730,900	\$ -	\$ -	\$ 18,730,900
Cash received from other revenue	124,289	95,256	(95,255)	124,290
Cash received from grants	376,243	-	-	376,243
Cash paid to and on behalf of employees	(8,653,728)	-	-	(8,653,728)
Cash paid to suppliers and contractors	(9,829,438)	510,201	95,255	(9,223,982)
Net cash provided by operating activities	748,266	605,457	-	1,353,723
<i>Cash flows from noncapital financing activities</i>				
Cash received from taxation for maintenance and operations	1,099,635	-	-	1,099,635
Cash received from contributions and donations	30,884	-	-	30,884
CARES Act Provider Relief Fund	3,909,698	-	-	3,909,698
Paycheck Protection Program loan	1,452,355	-	-	1,452,355
Medicare accelerated payments	2,679,266	-	-	2,679,266
Net cash provided by noncapital financing activities	9,171,838	-	-	9,171,838
<i>Cash flows from capital and related financing activities</i>				
Principal payments on long-term debt	(400,992)	(603,658)	-	(1,004,650)
Interest paid on long-term debt	(503,041)	(411,587)	411,587	(503,041)
Purchase of capital assets	(890,856)	-	-	(890,856)
Cash received from capital grants and contributions	263,324	-	-	263,324
Net cash used in capital and related financing activities	(1,531,565)	(1,015,245)	411,587	(2,135,223)
<i>Cash flows from investing activities</i>				
Purchase of investments	(3,004,689)	411,587	(411,587)	(3,004,689)
Investment interest received	7,682	-	-	7,682
Net cash used in investing activities	(2,997,007)	411,587	(411,587)	(2,997,007)
Net increase in cash and cash equivalents	5,391,532	1,799	-	5,393,331
Cash and cash equivalents, beginning of year	6,928,711	87,179	-	7,015,890
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,320,243</b>	<b>\$ 88,978</b>	<b>\$ -</b>	<b>\$ 12,409,221</b>
<i>Reconciliation of Cash and Cash Equivalents to the Combining Statements of Net Position</i>				
Cash and cash equivalents	\$ 8,322,773	\$ 53,331	\$ -	\$ 8,376,104
Cash and cash equivalents restricted by debt agreement	3,997,470	35,647	-	4,033,117
<b>Total cash and cash equivalents</b>	<b>\$ 12,320,243</b>	<b>\$ 88,978</b>	<b>\$ -</b>	<b>\$ 12,409,221</b>
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</i>				
Operating loss	\$ (1,418,090)	\$ (1,295)	\$ -	\$ (1,419,385)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>				
Depreciation and amortization	1,422,701	-	-	1,422,701
Provision for bad debts	391,052	-	-	391,052
(Increase) decrease in assets:				
Receivables:				
Patient accounts, net	(481,628)	-	-	(481,628)
Estimated third-party payor settlements	535,000	-	-	535,000
Other	(50,101)	1	-	(50,100)
Inventories	(21,859)	-	-	(21,859)
Prepaid expenses	28,471	33,554	-	62,025
Due from the District	-	571,397	(571,397)	-
Increase (decrease) in liabilities:				
Accounts payable	90,567	1,800	-	92,367
Accrued compensation and related liabilities	(131,450)	-	-	(131,450)
Estimated third-party payor settlements	955,000	-	-	955,000
Due to Melissa Memorial Hospital Corporation	(571,397)	-	571,397	-
<b>Net cash provided by operating activities</b>	<b>\$ 748,266</b>	<b>\$ 605,457</b>	<b>\$ -</b>	<b>\$ 1,353,723</b>

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**16. Blended Component Unit (continued):**

The combining statement of net position for the year ended December 31, 2019, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 2,933,743	\$ 53,331	\$ -	\$ 2,987,074
Certificates of deposit	52,643	-	-	52,643
Receivables:				
Patient accounts	2,244,543	-	-	2,244,543
Taxes	989,655	-	-	989,655
Due from the District	-	10,055,880	(10,055,880)	-
Other	240,584	1,582	-	242,166
Estimated third-party payor settlements	1,052,000	-	-	1,052,000
Inventories	815,063	-	-	815,063
Prepaid expenses	423,480	41,980	-	465,460
Total current assets	8,751,711	10,152,773	(10,055,880)	8,848,604
<i>Noncurrent assets</i>				
Cash and cash equivalents restricted by debt agreement	3,994,968	33,848	-	4,028,816
Capital assets, net	14,051,909	-	-	14,051,909
Total noncurrent assets	18,046,877	33,848	-	18,080,725
<b>Total assets</b>	<b>\$ 26,798,588</b>	<b>\$ 10,186,621</b>	<b>\$ (10,055,880)</b>	<b>\$ 26,929,329</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<i>Current liabilities</i>				
Current maturities of long-term debt	\$ 291,081	\$ 571,398	\$ -	\$ 862,479
Accounts payable	743,789	26,418	-	770,207
Accrued compensation and related liabilities	797,110	-	-	797,110
Accrued interest	39,561	-	-	39,561
Due to Melissa Memorial Hospital Corporation	10,055,880	-	(10,055,880)	-
Total current liabilities	11,927,421	597,816	(10,055,880)	2,469,357
<i>Noncurrent liabilities</i>				
Long-term debt, less current maturities	2,486,492	9,941,338	-	12,427,830
Total liabilities	14,413,913	10,539,154	(10,055,880)	14,897,187
<i>Deferred inflows of resources, property taxes</i>	989,655	-	-	989,655
<i>Net position</i>				
Net investment in capital assets	11,234,775	(10,512,736)	-	722,039
Restricted for debt service	3,994,968	33,848	-	4,028,816
Unrestricted	(3,834,723)	10,126,355	-	6,291,632
Total net position	11,395,020	(352,533)	-	11,042,487
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 26,798,588</b>	<b>\$ 10,186,621</b>	<b>\$ (10,055,880)</b>	<b>\$ 26,929,329</b>

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**16. Blended Component Unit (continued):**

The combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2019, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<i>Operating revenues</i>				
Net patient service revenue	\$ 16,398,430	\$ -	\$ -	\$ 16,398,430
Grants	208,150	-	-	208,150
Other	184,591	90,865	(90,865)	184,591
<b>Total operating revenues</b>	<b>16,791,171</b>	<b>90,865</b>	<b>(90,865)</b>	<b>16,791,171</b>
<i>Operating expenses</i>				
Salaries and wages	7,393,225	-	-	7,393,225
Employee benefits	1,501,431	-	-	1,501,431
Insurance	77,180	54,345	-	131,525
Professional fees	1,696,410	-	-	1,696,410
Purchased services	2,405,482	-	-	2,405,482
Provider tax fees	273,307	-	-	273,307
Supplies	2,236,018	-	-	2,236,018
Utilities	381,751	-	-	381,751
Repairs and maintenance	112,361	-	-	112,361
Rentals and leases	214,218	-	(90,865)	123,353
Depreciation and amortization	1,239,557	-	-	1,239,557
Other	698,449	-	-	698,449
<b>Total operating expenses</b>	<b>18,229,389</b>	<b>54,345</b>	<b>(90,865)</b>	<b>18,192,869</b>
<i>Operating income (loss)</i>	<i>(1,438,218)</i>	<i>36,520</i>	<i>-</i>	<i>(1,401,698)</i>
<i>Nonoperating revenues (expenses)</i>				
Taxation for maintenance and operations	1,059,637	-	-	1,059,637
Contributions	40,335	-	-	40,335
Investment income	23,158	436,385	(436,385)	23,158
Interest expense	(509,436)	(433,300)	436,385	(506,351)
<b>Total nonoperating revenues, net</b>	<b>613,694</b>	<b>3,085</b>	<b>-</b>	<b>616,779</b>
Excess of revenues (expenses) before capital grants and contributions	(824,524)	39,605	-	(784,919)
<i>Capital grants and contributions</i>	<i>804,591</i>	<i>-</i>	<i>-</i>	<i>804,591</i>
Change in net position	(19,933)	39,605	-	19,672
Net position, beginning of year	11,414,953	(392,138)	-	11,022,815
<b>Net position, end of year</b>	<b>\$ 11,395,020</b>	<b>\$ (352,533)</b>	<b>\$ -</b>	<b>\$ 11,042,487</b>

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Notes to Combined Basic Financial Statements (Continued)**  
**Years Ended December 31, 2020 and 2019**

**16. Blended Component Unit (continued):**

The combining statement of cash flows for the year ended December 31, 2019, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
<i>Cash flows from operating activities</i>				
Cash received from and on behalf of patients	\$ 15,156,054	\$ -	\$ -	\$ 15,156,054
Cash received from other revenue	200,579	90,775	(90,865)	200,489
Cash received from grants	208,150	-	-	208,150
Cash paid to and on behalf of employees	(8,713,547)	-	-	(8,713,547)
Cash paid to suppliers and contractors	(8,800,220)	519,514	90,865	(8,189,841)
Net cash provided by (used in) operating activities	(1,948,984)	610,289	-	(1,338,695)
<i>Cash flows from noncapital financing activities</i>				
Cash received from taxation for maintenance and operations	1,059,637	-	-	1,059,637
Cash received from contributions and donations	40,335	-	-	40,335
Net cash provided by noncapital financing activities	1,099,972	-	-	1,099,972
<i>Cash flows from capital and related financing activities</i>				
Principal payments on long-term debt	(268,767)	(588,764)	-	(857,531)
Interest paid on long-term debt	(509,436)	(433,300)	436,385	(506,351)
Purchase of capital assets	(1,009,349)	-	-	(1,009,349)
Cash received from capital grants and contributions	804,591	-	-	804,591
Net cash used in capital and related financing activities	(982,961)	(1,022,064)	436,385	(1,568,640)
<i>Cash flows from investing activities, investment income</i>				
	22,343	436,385	(436,385)	22,343
Net increase (decrease) in cash and cash equivalents	(1,809,630)	24,610	-	(1,785,020)
Cash and cash equivalents, beginning of year	8,738,341	62,569	-	8,800,910
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,928,711</b>	<b>\$ 87,179</b>	<b>\$ -</b>	<b>\$ 7,015,890</b>
<i>Reconciliation of Cash and Cash Equivalents to the Combining Statements of Net Position</i>				
Cash and cash equivalents	\$ 2,933,743	\$ 53,331	\$ -	\$ 2,987,074
Cash and cash equivalents restricted by debt agreement	3,994,968	33,848	-	4,028,816
<b>Total cash and cash equivalents</b>	<b>\$ 6,928,711</b>	<b>\$ 87,179</b>	<b>\$ -</b>	<b>\$ 7,015,890</b>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>				
Operating income (loss)	\$ (1,438,218)	\$ 36,520	\$ -	\$ (1,401,698)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</i>				
Depreciation and amortization	1,239,557	-	-	1,239,557
Provision for bad debts	957,115	-	-	957,115
(Increase) decrease in current assets:				
Receivables:				
Patient accounts, net	(768,491)	-	-	(768,491)
Estimated third-party payor settlements	(991,000)	-	-	(991,000)
Other	15,988	(90)	-	15,898
Inventories	(137,557)	-	-	(137,557)
Prepaid expenses	(137,700)	(659)	-	(138,359)
Due from the District	-	548,100	(548,100)	-
Increase (decrease) in liabilities:				
Accounts payable	118,313	26,418	-	144,731
Accrued compensation and related liabilities	181,109	-	-	181,109
Estimated third-party payor settlements	(440,000)	-	-	(440,000)
Due to Melissa Memorial Hospital Corporation	(548,100)	-	548,100	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,948,984)</b>	<b>\$ 610,289</b>	<b>\$ -</b>	<b>\$ (1,338,695)</b>

**SUPPLEMENTARY INFORMATION**

**East Phillips County Hospital District**  
**doing business as Melissa Memorial Hospital**  
**Schedule of Actual and Budgeted Revenues and Expenses**  
**Year Ended December 31, 2020**

	<b>Budgeted</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<i>Operating revenues</i>			
Net patient service revenue	\$ 17,169,961	\$ 17,331,476	\$ 161,515
Other	1,380,403	550,633	(829,770)
<b>Total operating revenues</b>	<b>18,550,364</b>	<b>17,882,109</b>	<b>(668,255)</b>
<i>Operating expenses</i>			
Salaries, wages, and employee benefits	9,625,137	8,522,278	1,102,859
Other	9,310,015	10,779,216	(1,469,201)
<b>Total operating expenses</b>	<b>18,935,152</b>	<b>19,301,494</b>	<b>(366,342)</b>
<i>Operating loss</i>	(384,788)	(1,419,385)	(1,034,597)
<i>Nonoperating revenues (expenses)</i>	884,788	2,991,571	2,106,783
<b>Change in net position</b>	<b>\$ 500,000</b>	<b>\$ 1,572,186</b>	<b>\$ 1,072,186</b>



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

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  
East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Holyoke, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined basic financial statements of East Phillips County Hospital District doing business as Melissa Memorial Hospital (the District), as of and for the year ended December 31, 2020, and the related notes to the combined basic financial statements, which collectively comprise the District's combined basic financial statements as listed in the table of contents and have issued our report thereon dated June 14, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined basic 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 our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 combined basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 14, 2021

**East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2020**

**Financial Statements Findings**

**2019-001 Auditor Detected Adjusting Journal Entries - Resolved**



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

Board of Directors  
East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Holyoke, Colorado

We have audited the financial statements of East Phillips County Hospital District doing business as Melissa Memorial Hospital (the District) for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 18, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible accounts receivable and contractual adjustments is based on historical collection rates and analysis of the collectibility of existing patient accounts receivable.
- Management's estimate for third-party payor settlements is based on interim payments, District expenses, and patient statistical data.
- Management's estimate of CARES Act Provider Relief Fund revenue recognized is based on qualifying expenses and lost revenues based on current guidance.

We evaluated the key factors and assumptions used to make these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually, or in the aggregate, to the financial statements taken as a whole.

Management has determined that the exclusion of Melissa Memorial Hospital Foundation from the financial statements is immaterial to the financial statements taken as a whole. The foundation's total assets at December 31, 2020 were approximately \$280,000.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 14, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We were engaged to report on the Schedule of Actual and Budgeted Expenses which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board of Directors  
East Phillips County Hospital District  
doing business as Melissa Memorial Hospital  
Page 3

*Restriction of Use*

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 14, 2021