

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

Combined Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
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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 Audit of the Combined Financial Statements

Opinion

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, 2021 and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 May 23, 2022, 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, 2021. We issued a similar report for the year ended December 31, 2020, dated June 14, 2021, which has not been included with the 2021 financial 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
May 23, 2022

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Combined Statements of Net Position
December 31, 2021 and 2020

ASSETS	2021	2020
<i>Current assets</i>		
Cash and cash equivalents	\$ 10,233,496	\$ 8,376,104
Certificates of deposit	52,643	3,057,332
Receivables:		
Patient accounts, net	2,724,054	2,335,119
Taxes	1,003,205	990,256
Other	133,870	292,216
Estimated third-party payor settlements	939,000	517,000
Inventories	829,049	836,922
Prepaid expenses	288,132	403,435
Total current assets	16,203,449	16,808,384
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted by debt agreement	3,665,405	4,033,117
Capital assets, net	14,659,071	14,008,816
Total noncurrent assets	18,324,476	18,041,933
Total assets	\$ 34,527,925	\$ 34,850,317

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, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
<i>Current liabilities</i>		
Estimated third-party payor settlements	\$ 212,000	\$ 955,000
Medicare accelerated payments payable	1,581,769	2,679,266
Current maturities of long-term debt	994,315	957,398
Accounts payable	1,167,676	862,574
Accrued compensation and related liabilities	764,540	665,660
Accrued interest	39,561	39,561
Unearned Hospital Transformation Program funds	521,739	-
Unearned CARES Act Provider Relief Fund	309,243	1,816,611
Total current liabilities	5,590,843	7,976,070
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	10,804,564	11,817,013
Paycheck Protection Program loan	-	1,452,355
Total noncurrent liabilities	10,804,564	13,269,368
Total liabilities	16,395,407	21,245,438
<i>Deferred inflows of resources, property taxes</i>	1,003,205	990,206
<i>Net position</i>		
Net investment in capital assets	2,820,631	1,194,844
Restricted for debt service	3,665,405	4,033,117
Unrestricted	10,643,277	7,386,712
Total net position	17,129,313	12,614,673
Total liabilities, deferred inflows of resources, and net position	\$ 34,527,925	\$ 34,850,317

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, 2021 and 2020

	2021	2020
<i>Operating revenues</i>		
Net patient service revenue	\$ 20,406,701	\$ 17,331,476
Grants	166,974	376,243
Other	294,027	174,390
Total operating revenues	20,867,702	17,882,109
<i>Operating expenses</i>		
Salaries and wages	7,371,394	6,993,949
Employee benefits	1,524,038	1,528,329
Insurance	245,443	189,702
Professional fees	1,706,564	2,093,902
Purchased services	3,435,626	2,784,140
Provider tax fees	434,134	354,589
Supplies	3,773,687	2,711,633
Utilities	421,253	387,593
Repairs and maintenance	100,118	131,250
Rentals and leases	47,566	51,290
Depreciation and amortization	1,609,668	1,422,701
Other	705,575	652,416
Total operating expenses	21,375,066	19,301,494
<i>Operating loss</i>	(507,364)	(1,419,385)
<i>Nonoperating revenues (expenses)</i>		
Taxation for maintenance and operations	1,099,456	1,099,635
Contributions	-	30,884
CARES Act Provider Relief Fund	1,390,357	2,093,087
Investment income	9,482	7,682
Interest expense	(467,346)	(503,041)
Total nonoperating revenues, net	2,031,949	2,728,247
Excess of revenues before capital grants and contributions and gain on forgiveness of Paycheck Protection Program loan	1,524,585	1,308,862
<i>Capital grants and contributions</i>	55,740	263,324
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,934,315	-
Change in net position	4,514,640	1,572,186
Net position, beginning of year	12,614,673	11,042,487
Net position, end of year	\$ 17,129,313	\$ 12,614,673

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, 2021 and 2020

	2021	2020
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 19,374,505	\$ 18,730,900
Cash received from other revenue	452,423	124,290
Cash received from grants	166,974	376,243
Cash paid to and on behalf of employees	(8,796,552)	(8,653,728)
Cash paid to suppliers and contractors	(10,441,688)	(9,223,982)
Net cash provided by operating activities	755,662	1,353,723
<i>Cash flows from noncapital financing activities</i>		
Cash received from taxation for maintenance and operations	1,099,456	1,099,635
Cash received from contributions and donations	-	30,884
Cash received from (repaid to) CARES Act Provider Relief Fund	(117,011)	3,909,698
Cash received from Paycheck Protection Program loan	1,481,960	1,452,355
Cash received for (paid back to) Medicare accelerated payments	(1,097,497)	2,679,266
Net cash provided by noncapital financing activities	1,366,908	9,171,838
<i>Cash flows from capital and related financing activities</i>		
Principal payments on long-term debt	(975,532)	(1,004,650)
Interest paid on long-term debt	(467,346)	(503,041)
Purchase of capital assets	(2,259,923)	(890,856)
Cash received from capital grants and contributions	55,740	263,324
Net cash used in capital and related financing activities	(3,647,061)	(2,135,223)
<i>Cash flows from investing activities</i>		
Purchase of investments	-	(3,004,689)
Sales of investments	3,004,689	-
Investment interest received	9,482	7,682
Net cash provided by (used in) investing activities	3,014,171	(2,997,007)
Net increase in cash and cash equivalents	1,489,680	5,393,331
Cash and cash equivalents, beginning of year	12,409,221	7,015,890
Cash and cash equivalents, end of year	\$ 13,898,901	\$ 12,409,221

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, 2021 and 2020

	2021	2020
<i>Reconciliation of Cash and Cash Equivalents</i>		
<i>to the Combined Statements of Net Position</i>		
Cash and cash equivalents	\$ 10,233,496	\$ 8,376,104
Cash and cash equivalents restricted by debt agreement	3,665,405	4,033,117
Total cash and cash equivalents	\$ 13,898,901	\$ 12,409,221
<i>Reconciliation of Operating Loss to Net Cash</i>		
<i>Provided by Operating Activities</i>		
Operating loss	\$ (507,364)	\$ (1,419,385)
<i>Adjustments to reconcile operating loss to net cash</i>		
<i>provided by operating activities</i>		
Depreciation and amortization	1,609,668	1,422,701
Provision for bad debts	622,934	391,052
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(1,011,869)	(481,628)
Estimated third-party payor settlements	(422,000)	535,000
Other	158,396	(50,100)
Inventories	7,873	(21,859)
Prepaid expenses	115,303	62,025
Increase (decrease) in liabilities:		
Estimated third-party payor settlements	(743,000)	955,000
Accounts payable	305,102	92,367
Accrued compensation and related liabilities	98,880	(131,450)
Deferred Hospital Transformation Program revenue	521,739	-
Net cash provided by operating activities	\$ 755,662	\$ 1,353,723

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.

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, 2021 and 2020**

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 nonprofit 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, 2021 and 2020

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 2020 financial statements to conform to the classifications used in the 2021 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, 2021 and 2020

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 May 23, 2022, 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 May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District's year ending December 31, 2023. 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 certificates 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.

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

2. Bank Deposits and Investments (continued):

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.

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 increased from the prior year’s due to the aging of receivables due from patients becoming less current in part due to turn over in the business office. 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:

	2021	2020
Receivables from patients and their insurance carriers	\$ 2,615,864	\$ 1,876,735
Receivables from Medicare	1,023,664	762,647
Receivables from Medicaid	334,246	229,742
Total patient accounts receivable	3,973,774	2,869,124
Less allowance for uncollectible accounts	1,249,720	534,005
Patient accounts receivable, net	\$ 2,724,054	\$ 2,335,119

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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 combined statements of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2021 and 2020, for taxes levied for 2022 and 2021, respectively.

In 2021, the District's regular tax levy was \$13.70 per \$1,000 on a total assessed valuation of \$72,277,800, for a total regular levy of \$990,206. 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.

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, 2021 and 2020

5. Capital Assets (continued):

A schedule of changes in capital asset balances follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 266,021	\$ -	\$ -	\$ -	\$ 266,021
Construction in progress	358,663	486,067	-	(133,813)	710,917
Total capital assets not being depreciated	624,684	486,067	-	(133,813)	976,938
<i>Capital assets being depreciated</i>					
Land improvements	1,122,519	-	-	-	1,122,519
Buildings and improvements	17,487,564	313,705	-	-	17,801,269
Fixed equipment	247,331	-	-	-	247,331
Major movable equipment	9,134,413	1,460,151	-	133,813	10,728,377
Total capital assets being depreciated	27,991,827	1,773,856	-	133,813	29,899,496
<i>Less accumulated depreciation for</i>					
Land improvements	(972,389)	(39,353)	-	-	(1,011,742)
Buildings and improvements	(7,382,207)	(700,652)	-	-	(8,082,859)
Fixed equipment	(809,080)	(88,234)	-	-	(897,314)
Major movable equipment	(5,444,019)	(781,429)	-	-	(6,225,448)
Total accumulated depreciation	(14,607,695)	(1,609,668)	-	-	(16,217,363)
<i>Total capital assets being depreciated, net</i>	13,384,132	164,188	-	133,813	13,682,133
Capital assets, net	\$ 14,008,816	\$ 650,255	\$ -	\$ -	\$ 14,659,071

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

5. Capital Assets (continued):

	Balance				Balance	
	December 31,				December 31,	
	2019	Additions	Retirements	Transfers	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)	
Total capital assets being depreciated, net	13,310,480	(237,816)	-	311,468	13,384,132	
Capital assets, net	\$ 14,051,909	\$ (43,093)	\$ -	\$ -	\$ 14,008,816	

Construction in progress at December 31, 2021, consisted of medical equipment, which had a completion date of January 2022 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, 2021 and 2020

6. Long-term Debt and Capital Lease Obligations:

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

	Balance December 31, 2020			Additions	Reductions	Balance December 31, 2021		Amount Due Within One Year
Red Capital Mortgage	\$ 9,484,544	\$ -	\$ (595,685)		\$ 8,888,859	\$ 621,005		
Original issue premium	424,534	-	(32,522)		392,012	-		
First Pioneer National Bank 2015	1,620,664	-	(98,512)		1,522,152	95,487		
Capital lease - Telemetry unit	100,497	-	(186,288)		(85,791)	40,899		
Capital lease - MRI unit	763,624	-	-		763,624	180,669		
Capital lease - CT Scanner	380,548	-	(62,525)		318,023	56,255		
Total long-term debt	\$ 12,774,411	\$ -	\$ (975,532)		\$ 11,798,879	\$ 994,315		

	Balance December 31, 2019			Additions	Reductions	Balance December 31, 2020		Amount Due Within One Year
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		
Total long-term debt	\$ 13,290,309	\$ 488,752	\$ (1,004,650)		\$ 12,774,411	\$ 957,398		

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, 2021 and 2020

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 combined 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 2021 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, 2021, 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, 2021 and 2020, the capitalized cost of the equipment acquired under capital lease obligations was \$1,740,439 and \$1,740,439, respectively, and accumulated depreciation was \$820,383 and \$507,745, respectively.

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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
2022	\$ 994,315	\$ 425,645	\$ 1,419,960
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	903,662	259,985	1,163,647
2027-2031	4,680,780	776,887	5,457,667
2032-2036	1,887,741	56,278	1,944,019
	11,406,867	\$ 2,528,571	\$ 13,935,438
Original issue premium	392,012		
Total	\$ 11,798,879		

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 Hospital applied for PPP loan forgiveness and forgiveness was approved March 3, 2021. The loan forgiveness is recorded as a gain on forgiveness of Paycheck Protection Program note payable in the statement of combined revenues and expenses and changes in net position and statement of net position for the year ended December 31, 2021.

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. The Hospital applied for PPP loan forgiveness and forgiveness was approved October 25, 2021. The loan forgiveness is recorded as a gain on forgiveness of Paycheck Protection Program note payable in the statement of combined revenues and expenses and changes in net position and statement of net position for the year ended December 31, 2021.

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 increased from the prior year partially due to turn over in the business office.

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

8. Net Patient Service Revenue (continued):

The District has not changed its charity care or uninsured discount policies during 2021 or 2020. 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:

	2021	2020
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 8,731,360	\$ 8,321,455
Medicaid	2,126,325	1,222,202
Other third-party payors	6,377,084	5,100,492
Patients	404,943	357,668
Retail pharmacy	1,963,907	1,668,980
Supplemental payments	1,434,333	1,236,360
	21,037,952	17,907,157
Less:		
Charity care	8,317	184,629
Provision for bad debts	622,934	391,052
Net patient service revenue	\$ 20,406,701	\$ 17,331,476

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 and 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.
- *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.

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

8. Net Patient Service Revenue (continued):

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 increased by approximately \$273,000 and decreased by approximately \$4,000 in 2021 and 2020, 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, 2021 and 2020, were approximately \$6,000 and \$134,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2021 and 2020.

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 \$133,000 and \$139,000 for 2021 and 2020, respectively. Employee contributions to the plan were approximately \$281,000 and \$282,000 for 2021 and 2020, respectively. Forfeitures were not material in 2021 and 2020. 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, 2021 and 2020

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, 2021 and 2020

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:

	2021	2020
Medicare	28 %	32 %
Medicaid	14	13
Other third-party payors	37	33
Patients	21	22
	100 %	100 %

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 and received an additional \$309,243 in November 2021. 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 years ended December 31, 2021 and 2020, the District recognized \$1,390,357 and \$2,093,087 of grant revenue from these funds. The District had \$309,243 remaining funds as of December 31, 2021, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year. The District repaid \$399,925 of these funds in 2021.

13. Hospital Transformation Program:

In September 2021, the District received \$521,739 from the Rural Support Program which is complementary to the Hospital Transformation Program (HTP) to prepare critical access and rural hospitals for future value-based payment environments. Under the HTP, hospitals will be required to implement quality-based initiatives and projects to receive supplemental payments and demonstrate meaningful community engagement and improvements in health outcomes over time. For some rural hospital communities, layering quality-based initiatives on top of insufficient operational strategies or infrastructure may not allow the hospitals to prepare for the needs of the communities they serve or the payment methodologies of the future. Select critical access or rural hospitals will be eligible to receive additional support payments to prepare for alternative payment methodologies in the future through strategic planning and financial modeling, and then to operationalize those strategies. The Hospital must attest to the use of the funds from the program by August 5, 2022. No attesting had been performed as of December 31, 2021, and the funds were recorded as deferred revenue until attestation takes place.

East Phillips County Hospital District
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Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

14. Budget to Actual Revenues and Expenses:

The District overspent its approved budget by \$2,372,464 in 2021.

15. Blended Component Unit:

The combining statement of net position for the year ended December 31, 2021, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	\$ 10,180,165	\$ 53,331	\$ -	\$ 10,233,496
Certificates of deposit	52,643	-	-	52,643
Receivables:				
Patient accounts, net	2,724,054	-	-	2,724,054
Taxes	1,003,205	-	-	1,003,205
Other	132,290	1,580	-	133,870
Estimated third-party payor settlements	939,000	-	-	939,000
Due from the District	-	8,888,624	(8,888,624)	-
Inventories	829,049	-	-	829,049
Prepaid expenses	288,132	-	-	288,132
Total current assets	16,148,538	8,943,535	(8,888,624)	16,203,449
<i>Noncurrent assets</i>				
Cash and cash equivalents restricted by debt agreement	3,622,004	43,401	-	3,665,405
Capital assets, net	14,659,071	-	-	14,659,071
Total noncurrent assets	18,281,075	43,401	-	18,324,476
Total assets	\$ 34,429,613	\$ 8,986,936	\$ (8,888,624)	\$ 34,527,925
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
<i>Current liabilities</i>				
Estimated third-party payor settlements	\$ 212,000	\$ -	\$ -	\$ 212,000
Medicare accelerated payments payable	1,581,769	-	-	1,581,769
Current maturities of long-term debt	373,310	621,005	-	994,315
Accounts payable	1,131,705	35,971	-	1,167,676
Accrued compensation and related liabilities	764,540	-	-	764,540
Accrued interest	39,561	-	-	39,561
Unearned Hospital Transformation Program funds	521,739	-	-	521,739
Unearned CARES Act Provider Relief Fund	309,243	-	-	309,243
Due to Melissa Memorial Hospital Corporation	8,888,624	-	(8,888,624)	-
Total current liabilities	13,822,491	656,976	(8,888,624)	5,590,843
<i>Noncurrent liabilities</i>				
Long-term debt, less current maturities	2,144,698	8,659,866	-	10,804,564
Total noncurrent liabilities	2,144,698	8,659,866	-	10,804,564
Total liabilities	15,967,189	9,316,842	(8,888,624)	16,395,407
<i>Deferred inflows of resources, property taxes</i>	1,003,205	-	-	1,003,205
<i>Net position</i>				
Net investment in capital assets	12,101,502	(9,280,871)	-	2,820,631
Restricted for debt service	3,622,004	43,401	-	3,665,405
Unrestricted	1,735,713	8,907,564	-	10,643,277
Total net position	17,459,219	(329,906)	-	17,129,313
Total liabilities, deferred inflows of resources, and net position	\$ 34,429,613	\$ 8,986,936	\$ (8,888,624)	\$ 34,527,925

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. Blended Component Unit (continued):

The combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2021, is as follows:

	Melissa Memorial Hospital	Melissa Memorial Hospital Corporation	Eliminations	Totals
<i>Operating revenues</i>				
Net patient service revenue	\$ 20,406,701	\$ -	\$ -	\$ 20,406,701
Grants	166,974	-	-	166,974
Other	294,027	148,735	(148,735)	294,027
Total operating revenues	20,867,702	148,735	(148,735)	20,867,702
<i>Operating expenses</i>				
Salaries and wages	7,371,394	-	-	7,371,394
Employee benefits	1,524,038	-	-	1,524,038
Insurance	120,630	124,813	-	245,443
Professional fees	1,706,564	-	-	1,706,564
Purchased services	3,435,626	-	-	3,435,626
Provider tax fees	434,134	-	-	434,134
Supplies	3,773,687	-	-	3,773,687
Utilities	421,253	-	-	421,253
Repairs and maintenance	100,118	-	-	100,118
Rentals and leases	196,301	-	(148,735)	47,566
Depreciation and amortization	1,609,668	-	-	1,609,668
Other	705,575	-	-	705,575
Total operating expenses	21,398,988	124,813	(148,735)	21,375,066
<i>Operating income (loss)</i>	(531,286)	23,922	-	(507,364)
<i>Nonoperating revenues (expenses)</i>				
Taxation for maintenance and operations	1,099,456	-	-	1,099,456
Contributions	-	-	-	-
CARES Act Provider Relief Fund	1,390,357	-	-	1,390,357
Investment income	9,482	385,958	(385,958)	9,482
Interest expense	(467,346)	(385,958)	385,958	(467,346)
Total nonoperating revenues, net	2,031,949	-	-	2,031,949
Excess of revenues before capital grants and contributions and gain on forgiveness of Paycheck Protection Program loan	1,500,663	23,922	-	1,524,585
<i>Capital grants and contributions</i>	55,740	-	-	55,740
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,934,315	-	-	2,934,315
Change in net position	4,490,718	23,922	-	4,514,640
Net position, beginning of year	12,968,501	(353,828)	-	12,614,673
Net position, end of year	\$ 17,459,219	\$ (329,906)	\$ -	\$ 17,129,313

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. Blended Component Unit (continued):

The combining statement of cash flows for the year ended December 31, 2021, 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	\$ 19,374,505	\$ -	\$ -	\$ 19,374,505
Cash received from other revenue	452,422	148,736	(148,735)	452,423
Cash received from grants	166,974	-	-	166,974
Cash paid to and on behalf of employees	(8,796,552)	-	-	(8,796,552)
Cash paid to suppliers and contractors	(11,077,648)	487,225	148,735	(10,441,688)
Net cash provided by operating activities	119,701	635,961	-	755,662
<i>Cash flows from noncapital financing activities</i>				
Cash received from taxation for maintenance and operations	1,099,456	-	-	1,099,456
Cash received from contributions and donations	-	-	-	-
Cash received from CARES Act Provider Relief Fund	(117,011)	-	-	(117,011)
Cash received from Paycheck Protection Program loan	1,481,960	-	-	1,481,960
Cash paid back to Medicare accelerated payments	(1,097,497)	-	-	(1,097,497)
Net cash provided by noncapital financing activities	1,366,908	-	-	1,366,908
<i>Cash flows from capital and related financing activities</i>				
Principal payments on long-term debt	(347,325)	(628,207)	-	(975,532)
Interest paid on long-term debt	(467,346)	(385,958)	385,958	(467,346)
Purchase of capital assets	(2,259,923)	-	-	(2,259,923)
Cash received from capital grants and contributions	55,740	-	-	55,740
Net cash used in capital and related financing activities	(3,018,854)	(1,014,165)	385,958	(3,647,061)
<i>Cash flows from investing activities</i>				
Sales of investments	3,004,689	385,958	(385,958)	3,004,689
Investment interest received	9,482	-	-	9,482
Net cash provided by investing activities	3,014,171	385,958	(385,958)	3,014,171
Net increase in cash and cash equivalents	1,481,926	7,754	-	1,489,680
Cash and cash equivalents, beginning of year	12,320,243	88,978	-	12,409,221
Cash and cash equivalents, end of year	\$ 13,802,169	\$ 96,732	\$ -	\$ 13,898,901
<i>Reconciliation of Cash and Cash Equivalents to the Combining Statements of Net Position</i>				
Cash and cash equivalents	\$ 10,180,165	\$ 53,331	\$ -	\$ 10,233,496
Cash and cash equivalents restricted by debt agreement	3,622,004	43,401	-	3,665,405
Total cash and cash equivalents	\$ 13,802,169	\$ 96,732	\$ -	\$ 13,898,901
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>				
Operating income (loss)	\$ (531,286)	\$ 23,922	\$ -	\$ (507,364)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</i>				
Depreciation and amortization	1,609,668	-	-	1,609,668
Provision for bad debts	622,934	-	-	622,934
(Increase) decrease in assets:				
Receivables:				
Patient accounts, net	(1,011,869)	-	-	(1,011,869)
Estimated third-party payor settlements	(422,000)	-	-	(422,000)
Other	158,395	1	-	158,396
Inventories	7,873	-	-	7,873
Prepaid expenses	106,877	8,426	-	115,303
Due from the District	-	595,859	(595,859)	-
Increase (decrease) in liabilities:				
Estimated third-party payor settlements	(743,000)	-	-	(743,000)
Accounts payable	297,349	7,753	-	305,102
Accrued compensation and related liabilities	98,880	-	-	98,880
Deferred Hospital Transformation Program revenue	521,739	-	-	521,739
Due to Melissa Memorial Hospital Corporation	(595,859)	-	595,859	-
Net cash provided by operating activities	\$ 119,701	\$ 635,961	\$ -	\$ 755,662

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. Blended Component Unit (continued):

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
ASSETS				
<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, net	2,335,119	-	-	2,335,119
Taxes	990,256	-	-	990,256
Due from the District	-	9,484,483	(9,484,483)	-
Other	290,635	1,581	-	292,216
Estimated third-party payor settlements	517,000	-	-	517,000
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
Total assets	\$ 34,751,332	\$ 9,583,468	\$ (9,484,483)	\$ 34,850,317
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
<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
Total liabilities, deferred inflows of resources, and net position	\$ 34,751,332	\$ 9,583,468	\$ (9,484,483)	\$ 34,850,317

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. 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
Total operating revenues	17,882,109	95,255	(95,255)	17,882,109
<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
Total operating expenses	19,300,199	96,550	(95,255)	19,301,494
<i>Operating loss</i>	<i>(1,418,090)</i>	<i>(1,295)</i>	<i>-</i>	<i>(1,419,385)</i>
<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)
Total nonoperating revenues, net	2,728,247	-	-	2,728,247
Excess of revenues (expenses) before capital grants and contributions	1,310,157	(1,295)	-	1,308,862
<i>Capital grants and contributions</i>	<i>263,324</i>	<i>-</i>	<i>-</i>	<i>263,324</i>
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
Net position, end of year	\$ 12,968,501	\$ (353,828)	\$ -	\$ 12,614,673

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. 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
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
<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 provided by (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
Cash and cash equivalents, end of year	\$ 12,320,243	\$ 88,978	\$ -	\$ 12,409,221
<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
Total cash and cash equivalents	\$ 12,320,243	\$ 88,978	\$ -	\$ 12,409,221
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>				
Operating loss	\$ (1,418,090)	\$ (1,295)	\$ -	\$ (1,419,385)
<i>Adjustments to reconcile operating loss to net cash provided by 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:				
Estimated third-party payor settlements	955,000	-	-	955,000
Accounts payable	90,567	1,800	-	92,367
Accrued compensation and related liabilities	(131,450)	-	-	(131,450)
Due to Melissa Memorial Hospital Corporation	(571,397)	-	571,397	-
Net cash provided by operating activities	\$ 748,266	\$ 605,457	\$ -	\$ 1,353,723

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, 2021

	Budgeted	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>			
Net patient service revenue	\$ 17,473,160	\$ 20,406,701	\$ 2,933,541
Other	1,104,839	461,001	(643,838)
Total operating revenues	18,577,999	20,867,702	2,289,703
<i>Operating expenses</i>			
Salaries, wages, and employee benefits	9,150,394	8,895,432	254,962
Other	9,852,208	12,479,634	(2,627,426)
Total operating expenses	19,002,602	21,375,066	(2,372,464)
<i>Operating loss</i>	(424,603)	(507,364)	(82,761)
<i>Nonoperating revenues (expenses)</i>	524,965	5,022,004	4,497,039
Change in net position	\$ 100,362	\$ 4,514,640	\$ 4,414,278

SINGLE AUDIT

AUDITORS' SECTION



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, 2021, 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 May 23, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 23, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Phillips County Hospital District doing business as Melissa Memorial Hospital's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 23, 2022

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2021

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ yes X no
 _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards:

Internal control over major federal program:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ yes X no
 _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Programs or Cluster

14.128

Mortgage Insurance - Hospitals

93.498

Provider Relief Fund and
 American Rescue Plan
 (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2021**

Section II – Financial Statement Findings

No matters were reported. Therefore, no corrective action plan is necessary nor has one been prepared.

Section III - Federal Award Findings and Questioned Costs

No matters were reported. Therefore, no corrective action plan is necessary nor has one been prepared.

AUDITEE'S SECTION

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Program:			
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		\$ 3,434,028
COVID-19 -Testing for the uninsured	93.461		17,854
Total U.S Department of Health and Human Services			3,451,882
U.S. Department of Housing and Urban Development Direct Program from:			
Mortgage Insurance - Hospitals	14.128		9,484,544
Total expenditures of federal awards			\$ 12,936,426

See accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditure of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of East Phillips County Hospital District doing business as Melissa Memorial Hospital (the District) under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Assistance Listing Number 93.498 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the June 30, 2021, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Loan Guarantee:

Nonmonetary assistance in the form of a loan guarantee is included in the accompanying schedule of expenditures of federal awards. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The related loan balance was \$8,888,859 at December 31, 2021.

East Phillips County Hospital District
doing business as Melissa Memorial Hospital
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

The audit for the year ended December 31, 2020, reported no findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2019, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2021.