



**SOUTHERN TELLER COUNTY
HEALTH SERVICES DISTRICT**

Management's Discussion and Analysis,

Financial Statements and

Supplemental Information

For the Years Ended December 31, 2021 and 2020

And

Independent Auditors' Report

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	11
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Position, December 31, 2021	18
Combining Statement of Revenues, Expenses and Changes in Net Position for the Year Ended December 31, 2021	19
Schedule of Revenues and Expenses – Compared to Budget for the Year Ended December 31, 2021	20

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Southern Teller County Health Services District (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's 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 Southern Teller County Health Services 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 of the financial statements, subsequent to year end, the District discontinued the operation of the Cripple Creek Care Center. Our opinion is not modified with respect to the matter.

Responsibilities of Management for the Financial Statements

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

In preparing the 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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted 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 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 generally accepted 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 Company'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 Company'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.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental combining financial statements and the budgeted and actual revenues and expenses, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stockman Kast Ryan + Co. LLP

September 20, 2022

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial performance of Southern Teller County Health Services District (the District) provides an overview of the District's financial activities for the years ended December 31, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Net position increased by \$282,924 in 2021 compared with an increase of \$1,024,404 in 2020.
- Operating revenues, including operating results of discontinued operations, decreased by \$189,274 in 2021.
- Operating expenses, including operating results of discontinued operations, increased by \$143,049 in 2021.
- Property tax revenue decreased by \$29,330 in 2021.
- Grant revenue decreased by \$375,536 in 2021.

Subsequent Events

During 2022, the District discontinued operations of its Nursing Home as a result of the COVID-19 outbreak. The Nursing Home assets, liabilities, and change in net position were reclassified as discontinued operations in the provided financial statements. See further information in footnote 2.

Financial Statements

The District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in financial position and cash flows in a manner similar to private-sector businesses. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. The District's financial statements consist of three statements: a *statement of net position*, a *statement of revenues, expenses and changes in net position* and a *statement of cash flows*.

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

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

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

Financial Position

The following presents the District's financial position without segregating discontinued operations:

	2021	2020	2019
Assets:			
Current assets	\$ 5,984,936	\$ 5,474,524	\$ 4,381,393
Capital assets, net	<u>1,383,568</u>	<u>1,569,235</u>	<u>1,704,098</u>
Total assets	<u>\$ 7,368,504</u>	<u>\$ 7,043,759</u>	<u>\$ 6,085,491</u>
	2021	2020	2019
Current liabilities	<u>\$ 282,596</u>	<u>\$ 272,177</u>	<u>\$ 304,035</u>
Deferred inflows	<u>1,533,222</u>	<u>1,501,820</u>	<u>1,536,098</u>
Net position:			
Net investment in capital assets	1,383,568	1,569,235	1,704,098
Restricted for emergency reserve	178,752	174,195	58,389
Unrestricted	<u>3,990,366</u>	<u>3,526,332</u>	<u>2,482,871</u>
Total net position	<u>5,552,686</u>	<u>5,269,762</u>	<u>4,245,358</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,368,504</u>	<u>\$ 7,043,759</u>	<u>\$ 6,085,491</u>

Current assets and net position increased due primarily to operating revenues, property tax, and grant revenue, exceeding operating expenses during 2021 and 2020. See information on capital assets below under Capital Assets.

Operating Results and Changes in the District's Net Position

The District's net position increased by \$282,924 in 2021, compared with an increase in 2020 of \$1,024,404. The operating results and change in net position, without segregating discontinued operations, is as follows:

	2021	2020	2019
Operating revenues:			
Net patient service revenue	\$ 4,047,340	\$ 4,263,065	\$ 4,313,566
Other operating revenues	<u>101,065</u>	<u>74,614</u>	<u>69,638</u>
Total operating revenues	<u>4,148,405</u>	<u>4,337,679</u>	<u>4,383,204</u>
Operating expenses:			
Salaries and wages	3,303,020	3,242,920	3,168,620
Employee benefits	892,851	905,092	886,899
Purchased services and professional fees	502,160	472,049	552,022
Depreciation	286,864	267,945	280,773
Contributed building rent and fuel	59,354	55,471	55,560
Other	<u>914,130</u>	<u>871,853</u>	<u>839,073</u>
Total operating expenses	<u>5,958,379</u>	<u>5,815,330</u>	<u>5,782,947</u>
Non-operating income, net	<u>2,087,077</u>	<u>2,471,466</u>	<u>1,798,228</u>
Excess of revenues over expenses before grants restricted for capital assets	<u>277,103</u>	<u>993,815</u>	<u>398,485</u>
Grants restricted for capital assets	<u>5,821</u>	<u>30,589</u>	<u>16,535</u>
Increase in net position	<u>\$ 282,924</u>	<u>\$ 1,024,404</u>	<u>\$ 415,020</u>

The decrease in the change in net position is primarily the result of decreases in net patient service revenue and the State of CO gaming impact and COVID-19 relief grants. Operating revenues decreased \$189,274 due primarily to decrease in residency at the Nursing Home. Expenses increased \$143,049 from 2020 to 2021 due mainly to an increase in salaries and wages and COVID-19 bonuses.

The District's Cash Flows

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

Capital Assets

At December 31, 2021 and 2020, the District had \$1,383,568 and \$1,569,235, respectively, invested in capital assets, net of accumulated depreciation. During 2021, the District acquired capital assets of \$105,603. Depreciation expense totaled \$286,864 during 2021.

Budgetary Comparison

During 2021, the District's increase in net position of \$282,924 was over budget by \$159,802. See further information on page 20.

Contacting the District's Financial Management

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

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 3,433,212	\$ 2,829,983
Property taxes receivable	1,409,661	1,501,820
Patient accounts receivable, net	33,541	25,177
Inventory	106,423	114,630
Other current assets	12,697	4,895
Assets of discontinued operations	<u>1,985,894</u>	<u>2,146,324</u>
Total current assets	6,981,428	6,622,829
CAPITAL ASSETS, NET	<u>387,076</u>	<u>420,930</u>
TOTAL	<u>\$ 7,368,504</u>	<u>\$ 7,043,759</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 8,238	\$ 14,055
Accrued expenses and other current liabilities	58,284	70,262
Liabilities of discontinued operations	<u>216,074</u>	<u>187,860</u>
Total current liabilities	<u>282,596</u>	<u>272,177</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred grant revenue	123,561	
Deferred property tax revenue	<u>1,409,661</u>	<u>1,501,820</u>
Total deferred inflows of resources	<u>1,533,222</u>	<u>1,501,820</u>
NET POSITION		
Net investment in capital assets	1,383,568	1,569,235
Restricted for emergency reserve	178,752	174,195
Unrestricted	<u>3,990,366</u>	<u>3,526,332</u>
Total net position	<u>5,552,686</u>	<u>5,269,762</u>
TOTAL	<u>\$ 7,368,504</u>	<u>\$ 7,043,759</u>

See notes to financial statements.

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts of \$24 and \$2,004, respectively	\$ 441,626	\$ 404,584
Contributed building rent and fuel	59,354	55,471
Other operating revenue	<u>29,732</u>	<u>1,413</u>
Total operating revenues	<u>530,712</u>	<u>461,468</u>
OPERATING EXPENSES		
Salaries and wages	948,064	869,073
Employee benefits	366,008	340,630
Purchased services and professional fees	90,968	58,581
Depreciation	86,466	79,089
Contributed building rent and fuel	59,354	55,471
Other	<u>186,778</u>	<u>161,914</u>
Total operating expenses	<u>1,737,638</u>	<u>1,564,758</u>
LOSS FROM OPERATIONS	<u>(1,206,926)</u>	<u>(1,103,290)</u>
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(188,644)	150,116
NON-OPERATING INCOME		
Property taxes	1,624,102	1,653,432
Non-capital grants and gifts	<u>119,438</u>	<u>365,348</u>
Non-operating income, net	<u>1,743,540</u>	<u>2,018,780</u>
REVENUES OVER EXPENSES BEFORE OTHER CHANGES IN NET POSITION	347,970	1,065,606
OTHER CHANGES IN NET POSITION		
Transfers to affiliate	(70,867)	(71,791)
Grants restricted for capital assets	<u>5,821</u>	<u>30,589</u>
Total other changes in net position	<u>(65,046)</u>	<u>(41,202)</u>
INCREASE IN NET POSITION	282,924	1,024,404
NET POSITION, Beginning of year	<u>5,269,762</u>	<u>4,245,358</u>
NET POSITION, End of year	<u>\$ 5,552,686</u>	<u>\$ 5,269,762</u>

See notes to financial statements.

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CONTINUING OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 433,262	\$ 403,281
Payments to suppliers and contractors	(283,158)	(252,383)
Payments to employees	(1,326,050)	(1,202,419)
Other receipts, net	<u>29,732</u>	<u>1,413</u>
Net cash used in continuing operating activities	<u>(1,146,214)</u>	<u>(1,050,108)</u>
DISCONTINUED OPERATING ACTIVITIES		
Receipts from and on behalf of patients	3,612,056	3,854,629
Payments to suppliers and contractors	(1,000,520)	(1,169,175)
Payments to employees	(2,848,572)	(2,999,380)
Other receipts, net	<u>11,979</u>	<u>17,730</u>
Net cash used in discontinued operating activities	<u>(225,057)</u>	<u>(296,196)</u>
CONTINUING NON-CAPITAL FINANCING ACTIVITIES		
Non-capital grants and gifts	119,438	365,348
Deferred grant revenue	123,561	
Property taxes	1,624,102	1,653,432
Transfers to affiliates	<u>(70,867)</u>	<u>(71,791)</u>
Net cash provided by continuing non-capital financing activities	<u>1,796,234</u>	<u>1,946,989</u>
DISCONTINUED NON-CAPITAL FINANCING ACTIVITIES		
COVID-19 related grants	347,731	452,589
Transfers from affiliates	<u>70,867</u>	<u>71,791</u>
Net cash provided by discontinued non-capital financing activities	<u>418,598</u>	<u>524,380</u>
CONTINUING CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(52,612)	(27,596)
Grants restricted for capital assets	<u>5,821</u>	<u>30,589</u>
Net cash provided by (used in) continuing capital and related financing activities	<u>(46,791)</u>	<u>2,993</u>
DISCONTINUED CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash used in discontinued capital and related financing activities — Grants restricted for capital assets	<u>(52,994)</u>	<u>(105,486)</u>
DISCONTINUED INVESTING ACTIVITIES		
Net cash provided by discontinued investing activities — Investment income	<u>215</u>	<u>97</u>

(Continued)

NET INCREASE IN CASH AND EQUIVALENTS	743,991	1,022,669
CASH AND EQUIVALENTS, Beginning of year	<u>3,358,498</u>	<u>2,335,829</u>
CASH AND EQUIVALENTS, End of year	<u>\$ 4,102,489</u>	<u>\$ 3,358,498</u>
RECONCILIATION OF LOSS FROM OPERATIONS		
TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	\$ (1,206,926)	\$(1,103,290)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	86,466	79,089
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(8,364)	(1,303)
Inventory and other current assets	405	(23,662)
Accounts payable and accrued expenses	<u>(17,795)</u>	<u>(942)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (1,146,214)</u>	<u>\$(1,050,108)</u>

See notes to financial statements.

(Concluded)

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Cash and Equivalents — The District considers all liquid investments with the original maturities of three months or less to be cash equivalents.

Property Taxes — The District received approximately 26% and 24% of its financial support from property taxes during 2021 and 2020, respectively. These funds were used to support operations.

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

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

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

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

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

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

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

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

2. DISCONTINUED OPERATIONS

During 2020 and 2021, there was a nursing staff shortage across the nation and state related to the extensive governmental regulations as a result of the COVID-19 pandemic. The Nursing Home lost several licensed staff members over the last two years and have not had sufficient applicants to replenish those losses. As of June 15, 2022 CCCC will be relocating all residents and closing its doors. The assets and liabilities of the Nursing Home were reclassified in the accompany December 31 statements of net position as follows:

	2021	2020
Assets		
Cash and equivalents	\$ 669,277	\$ 528,515
Cash held for residents	26,050	54,929
Patient accounts receivable, net	267,362	273,704
Inventory	26,713	33,900
Other current assets		106,971
Capital assets, net	<u>996,492</u>	<u>1,148,305</u>
Total assets of the disposal group classified as discontinued operations in the statements of net position	<u>\$ 1,985,894</u>	<u>\$ 2,146,324</u>
Liabilities		
Accounts payable	\$ 51,320	\$ 27,454
Accrued expenses and other current liabilities	138,704	105,477
Deposits from residents	<u>26,050</u>	<u>54,929</u>
Total liabilities of the disposal group classified as discontinued operations in the statements of net position	<u>\$ 216,074</u>	<u>\$ 187,860</u>

Change in net position from discontinued operations reclassified in the accompanying statements of revenues, expenses and changes in net position is as follows for the years ended December 31:

	2021	2020
Net patient service revenue, net of provision for Bad debts of \$1,108 and \$10,485, respectively	\$ 3,605,714	\$ 3,858,481
Other operating revenue	11,979	17,730
Operating expenses	(4,220,741)	(4,250,572)
Non-operating income	343,537	452,686
Transfers from affiliates	<u>70,867</u>	<u>71,791</u>
Net income (loss) from discontinued operations in the statements of revenues, expenses and changes in net position	<u>\$ (188,644)</u>	<u>\$ 150,116</u>

3. PATIENT ACCOUNTS RECEIVABLE, NET

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for bad debts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the District bills third-party payors directly and bills the

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

	2021	2020
Medicaid	5%	38%
Other third-party payors	32%	30%
Private Pay	28%	29%
Medicare	<u>35%</u>	<u>3%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

Patient accounts receivable are net of allowances for bad debts and contractual adjustments of \$273,990 and \$232,483 as of December 31, 2021 and 2020, respectively.

4. NET PATIENT SERVICE REVENUE

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments and a provision for bad debts.

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

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

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

Approximately 66% and 67% of net patient service revenues are from participation in the Medicare and Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. Net patient service revenue decreased by approximately \$215,725 and \$50,500 during 2021 and 2020, respectively, as the result of prior-year settlements.

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

the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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

	2021	2020
Provider fee revenue	\$ 437,335	\$ 419,368
Provider fee expense	<u>(278,792)</u>	<u>(276,664)</u>
Net excess of revenue over expense	<u>\$ 158,543</u>	<u>\$ 142,704</u>

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

5. DEPOSITS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At December 31, 2021 and 2020, the carrying amount of the District's cash is \$4,102,489 and \$3,358,498, respectively. The bank balances of these accounts total \$4,274,334 and \$3,599,554, respectively. Of the bank balances, \$754,173 and \$762,136 was covered by federal depository insurance and \$3,520,161 and \$2,837,418 is collateralized with securities held by the pledging financial institution as of December 31, 2021 and 2020, respectively.

6. CAPITAL ASSETS

Capital assets activity is as follows for the years ended December 31, 2021 and 2020:

	Balance at January 1, 2021	Additions	Decreases	Balance at December 31, 2021
2021:				
Equipment	\$ 996,777	\$ 52,611	\$	\$ 1,049,388
Total accumulated depreciation	<u>(575,847)</u>	<u>(86,465)</u>	<u> </u>	<u>(662,312)</u>
Capital assets, net	<u>\$ 420,930</u>	<u>\$ (33,854)</u>	<u>\$ —</u>	<u>\$ 387,076</u>

	Balance at January 1, 2020	Additions	Decreases	Balance at December 31, 2020
2020:				
Equipment	\$ 969,180	\$ 27,597		\$ 996,777
Total accumulated depreciation	<u>(496,757)</u>	<u>(79,090)</u>	<u> </u>	<u>(575,847)</u>
Capital assets, net	<u>\$ 472,423</u>	<u>\$ (51,493)</u>	<u>\$ —</u>	<u>\$ 420,930</u>

Net capital assets of \$996,492 and \$1,148,305 was reclassified to assets of discontinued operations at December 31, 2021 and 2020, respectively.

7. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2021 and 2020.

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Further, the District is subject to the provisions of the Colorado Government Immunity Act which provides a limitation on the liability of the District. The District is not aware of any unasserted claims, unreported incidents or claims outstanding which are expected to exceed malpractice insurance coverage limits as of December 31, 2021 and 2020.

8. TAX, SPENDING AND DEBT LIMITATIONS

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

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

9. COVID-19 PANDEMIC AND COVID-19 RELATED GRANTS

In response to the COVID-19 outbreak the CARES Act, was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other health care providers to be distributed through provider relief funds. Payments from the provider relief funds are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for expenses or lost revenues attributed to COVID-19. Provider relief funds received and not used for these purposes by various deadlines are required to be refunded. The District was awarded \$229,667 and \$392,515 of

provider relief funds during 2021 and 2020, respectively. The District has recognized \$229,667 and \$392,515 of provider relief funds within non-operating income of the discontinued operations (see footnote 2) for the year ended December 31, 2021 and 2020, respectively.

The District received \$118,056 and \$60,074 of other COVID-19 related grants in 2021 and 2020, respectively, which were recognized within non-operating income of the discontinued operations (see footnote 2).

The District discontinued operations of its Nursing Home as of June 15, 2022 as a result of the COVID-19 outbreak (see footnote 2).

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

**SOUTHERN TELLER COUNTY
HEALTH SERVICES DISTRICT**

Supplemental Information

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

COMBINING STATEMENT OF NET POSITION DECEMBER 31, 2021

	NURSING HOME	S.W.T.C. EMS	MILL LEVY	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 669,277	\$ 960,508	\$ 2,472,704	\$ 4,102,489
Cash held for residents	26,050			26,050
Property taxes receivable			1,409,661	1,409,661
Patient accounts receivable, net	267,362	33,541		300,903
Inventory	26,713	106,423		133,136
Other current assets		12,697		12,697
Due to (from) affiliates		20,000	(20,000)	
Total current assets	989,402	1,133,169	3,862,365	5,984,936
CAPITAL ASSETS, NET	996,492	387,076		1,383,568
TOTAL	\$ 1,985,894	\$ 1,520,245	\$ 3,862,365	\$ 7,368,504
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 51,320	\$ 8,238		\$ 59,558
Accrued expenses and other current liabilities	138,704	58,284		196,988
Deposits from residents	26,050			26,050
Total current liabilities	216,074	66,522	\$ —	282,596
DEFERRED INFLOWS OF RESOURCES				
Deferred grant revenue		123,561		123,561
Deferred property tax revenue			1,409,661	1,409,661
Total deferred inflows of resources	\$ —	123,561	1,409,661	1,533,222
NET POSITION				
Net investment in capital assets	996,492	387,076		1,383,568
Restricted for emergency reserve	126,622	48,679	3,451	178,752
Unrestricted	646,706	894,407	2,449,253	3,990,366
Total net position	1,769,820	1,330,162	2,452,704	5,552,686
TOTAL	\$ 1,985,894	\$ 1,520,245	\$ 3,862,365	\$ 7,368,504

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2021

	NURSING HOME	S.W.T.C. EMS	MILL LEVY	TOTALS
OPERATING REVENUES				
Net patient service revenue	\$ 3,605,714	\$ 441,626		\$ 4,047,340
Contributed building rent and fuel		59,354		59,354
Other operating revenue	<u>11,979</u>	<u>29,732</u>		<u>41,711</u>
Total operating revenues	<u>3,617,693</u>	<u>530,712</u>	\$ —	<u>4,148,405</u>
OPERATING EXPENSES				
Salaries and wages	2,354,956	948,064		3,303,020
Employee benefits	526,843	366,008		892,851
Purchased services and professional fees	411,192	35,828	55,140	502,160
Depreciation	200,398	86,466		286,864
Contributed building rent and fuel		59,354		59,354
Other	<u>727,352</u>	<u>126,899</u>	<u>59,879</u>	<u>914,130</u>
Total operating expenses	<u>4,220,741</u>	<u>1,622,619</u>	<u>115,019</u>	<u>5,958,379</u>
INCOME (LOSS) FROM OPERATIONS	<u>(603,048)</u>	<u>(1,091,907)</u>	<u>(115,019)</u>	<u>(1,809,974)</u>
NON-OPERATING INCOME (EXPENSE)				
Property taxes			1,624,102	1,624,102
COVID-19 related grants	347,731			347,731
Non-capital grants and gifts		119,438		119,438
Interest income	215			215
Other	<u>(4,409)</u>			<u>(4,409)</u>
Non-operating income, net	<u>343,537</u>	<u>119,438</u>	<u>1,624,102</u>	<u>2,087,077</u>
REVENUES OVER (UNDER) EXPENSES BEFORE OTHER CHANGES IN NET POSITION	(259,511)	(972,469)	1,509,083	277,103
OTHER CHANGES IN NET POSITION				
Transfers from (to) affiliates	70,867	933,820	(1,004,687)	
Grants restricted for capital assets		<u>5,821</u>		<u>5,821</u>
INCREASE IN NET POSITION	(188,644)	(32,828)	504,396	282,924
NET POSITION, Beginning of year	<u>1,958,464</u>	<u>1,362,990</u>	<u>1,948,308</u>	<u>5,269,762</u>
NET POSITION, End of year	<u>\$ 1,769,820</u>	<u>\$ 1,330,162</u>	<u>\$ 2,452,704</u>	<u>\$ 5,552,686</u>

SOUTHERN TELLER COUNTY HEALTH SERVICES DISTRICT

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES – COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget	Actual	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net patient service revenue	\$ 4,625,310	\$ 4,047,340	\$ (577,970)
Contributed building rent and fuel	58,000	59,354	1,354
Other operating revenue	<u>38,100</u>	<u>41,711</u>	<u>3,611</u>
Total operating revenues	<u>4,721,410</u>	<u>4,148,405</u>	<u>(573,005)</u>
OPERATING EXPENSES			
Salaries and benefits	4,158,855	4,195,871	(37,016)
Contributed building rent and fuel	58,000	59,354	(1,354)
Other	<u>1,681,160</u>	<u>1,703,154</u>	<u>(21,994)</u>
Total operating expenses	<u>5,898,015</u>	<u>5,958,379</u>	<u>(60,364)</u>
LOSS FROM OPERATIONS	<u>(1,176,605)</u>	<u>(1,809,974)</u>	<u>(633,369)</u>
NON-OPERATING INCOME AND CAPITAL GRANTS			
Property taxes	1,501,840	1,624,102	122,262
Non-capital and capital grants and gifts	123,561	462,760	339,199
Other	<u>(325,674)</u>	<u>6,036</u>	<u>331,710</u>
Total non-operating income and capital grants	<u>1,299,727</u>	<u>2,092,898</u>	<u>793,171</u>
INCREASE IN NET POSITION	<u>\$ 123,122</u>	<u>\$ 282,924</u>	<u>\$ 159,802</u>