

**Prowers County Hospital District  
doing business as  
Prowers Medical Center**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2021 and 2020



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

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Prowers County Hospital District  
doing business as Prowers Medical Center  
Lamar, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Prowers County Hospital District doing business as Prowers Medical Center (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 the District, as of December 31, 2021 and 2020, and the changes in 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 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 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 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 District's basic financial statements as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budget and actual revenues and expenses and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 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 15, 2021, which has not been included with the 2021 financial and compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 16, 2022

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Statements of Net Position**  
**December 31, 2021 and 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 18,527,378	\$ 16,557,151
Receivables:		
Patient accounts	3,365,019	2,638,070
Estimated third-party payor settlements	1,954,000	2,651,559
Taxes	414,801	395,049
Other	660,960	133,570
Insurance settlement	-	1,173,955
Inventories	1,051,007	1,077,853
Prepaid expenses	934,447	710,499
Total current assets	26,907,612	25,337,706
<i>Noncurrent assets</i>		
Capital assets, net	21,914,177	19,476,032
<b>Total assets</b>	<b>\$ 48,821,789</b>	<b>\$ 44,813,738</b>

*See accompanying notes to basic financial statements.*

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Statements of Net Position (Continued)**  
**December 31, 2021 and 2020**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2021</b>	<b>2020</b>
<i>Current liabilities</i>		
Accounts payable	\$ 1,197,415	\$ 1,020,289
Accrued compensation and related liabilities	1,167,971	986,721
Unearned CARES Act Provider Relief Fund	125,000	4,223,191
Total current liabilities	<b>2,490,386</b>	6,230,201
<i>Noncurrent liabilities</i>		
Paycheck Protection Program loan	-	2,896,900
Total liabilities	<b>2,490,386</b>	9,127,101
<i>Deferred inflows of resources, taxes</i>	<b>414,801</b>	395,049
<i>Net position</i>		
Net investment in capital assets	21,914,177	19,476,032
Unrestricted	24,002,425	15,815,556
Total net position	<b>45,916,602</b>	35,291,588
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 48,821,789</b>	<b>\$ 44,813,738</b>

*See accompanying notes to basic financial statements.*

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**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	\$ 35,431,229	\$ 32,880,095
Other	144,843	143,119
<b>Total operating revenues</b>	<b>35,576,072</b>	<b>33,023,214</b>
<i>Operating expenses</i>		
Salaries and wages	12,303,086	12,503,022
Employee benefits	3,297,103	3,197,683
Professional fees and other purchased services	8,315,547	8,103,501
Supplies	5,084,192	4,878,197
Utilities	474,976	478,345
Depreciation	1,921,429	1,667,935
Insurance	328,321	319,306
Leases and rentals	136,422	207,997
Repairs and maintenance	125,599	155,712
Provider fees	874,453	899,351
Other	520,040	588,516
<b>Total operating expenses</b>	<b>33,381,168</b>	<b>32,999,565</b>
<i>Operating income</i>	<b>2,194,904</b>	<b>23,649</b>
<i>Nonoperating revenues (expenses)</i>		
Property taxes	459,113	439,201
Investment income	19,610	89,601
CARES Act Provider Relief Fund	4,223,191	241,905
Loss on disposal of assets	(40,984)	-
<b>Total nonoperating revenues, net</b>	<b>4,660,930</b>	<b>770,707</b>
Excess of revenues over expenses before capital grants and contributions and gain on forgiveness of Paycheck Protection Program loan	<b>6,855,834</b>	<b>794,356</b>
<i>Capital grants and contributions</i>	<b>872,280</b>	<b>502,590</b>
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	<b>2,896,900</b>	<b>-</b>
Change in net position	<b>10,625,014</b>	<b>1,296,946</b>
Net position, beginning of year	<b>35,291,588</b>	<b>33,994,642</b>
<b>Net position, end of year</b>	<b>\$ 45,916,602</b>	<b>\$ 35,291,588</b>

See accompanying notes to basic financial statements.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 35,401,839	\$ 32,950,907
Other receipts	144,843	143,119
Payments to and on behalf of employees	(15,418,939)	(15,716,873)
Payments to suppliers and contractors	(16,406,916)	(16,421,368)
Net cash provided by operating activities	3,720,827	955,785
<i>Cash flows from noncapital financing activities</i>		
Proceeds from CARES Act Provider Relief Fund	125,000	4,465,096
Proceeds from Paycheck Protection Program loan	-	2,896,900
Property taxes	459,113	439,201
Net cash provided by noncapital financing activities	584,113	7,801,197
<i>Cash flows from capital and related financing activities</i>		
Proceeds from insurance settlement	1,173,955	-
Proceeds from capital grants and contributions	872,280	-
Proceeds from COVID-19 grants	-	502,590
Purchase of capital assets	(4,400,558)	(3,545,575)
Net cash used in capital and related financing activities	(2,354,323)	(3,042,985)
<i>Cash flows from investing activities</i>		
Investment income	19,610	89,601
Net increase in cash and cash equivalents	1,970,227	5,803,598
Cash and cash equivalents, beginning of year	16,557,151	10,753,553
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,527,378</b>	<b>\$ 16,557,151</b>

*See accompanying notes to basic financial statements.*

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i></b>		
Operating income	\$ 2,194,904	\$ 23,649
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation	1,921,429	1,667,935
Provision for bad debts	1,364,847	1,797,781
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(2,091,796)	(854,410)
Estimated third-party payor settlements	697,559	(872,559)
Other	(527,390)	35,548
Inventories	26,846	(383,519)
Prepaid expenses	(223,948)	145,549
Increase (decrease) in liabilities:		
Accounts payable	177,126	(588,021)
Accrued compensation and related liabilities	181,250	(16,168)
<b>Net cash provided by operating activities</b>	<b>\$ 3,720,827</b>	<b>\$ 955,785</b>

*See accompanying notes to basic financial statements.*

**Prowers County Hospital District  
doing business as Prowers Medical Center  
Notes to Basic Financial Statements  
Years Ended December 31, 2021 and 2020**

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

**a. Reporting Entity**

Prowers County Hospital District doing business as Prowers Medical Center (the District) is an independent governmental entity organized under provisions of the Colorado Revised Statutes. It operates within Prowers and Baca Counties, but is not part of the County governments. As organized, the District is exempt from payment of federal income tax. The Board of Directors consists of five elected residents of southeast Colorado. The District is not a component unit of another governmental entity.

The District operates a licensed 25-bed critical access hospital, clinics, and a home health agency. The services provided include medical-surgical, obstetrics, pediatrics, surgery, emergency room, clinic, and the related ancillary services (laboratory, imaging, chemotherapy, cardiology, physical therapy, respiratory therapy, etc.).

The District has no significant component units.

**b. Summary of Significant Accounting Policies**

***Use of estimates*** – The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect 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.

***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.

***Compensated absences*** – The District’s policy is to permit employees to accumulate earned but unused paid time off (PTO) benefits after the first 30 days of employment. Depending on years of service, PTO accrues from 128 up to 208 hours per year. The District’s policy is to permit employees to accumulate PTO up to a maximum of 200 hours. PTO is accrued as a liability when earned. Upon reaching 200 hours, any excess PTO earned that would extend an employee over the stated maximum is transferred to an individual catastrophic sick leave (CSL) bank. Upon termination or retirement, the CSL bank is dissolved. The hours are not converted to compensation for liquidation of the account.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to 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)**

**Net position** – Net position of the District is classified into three components. *Net investment in capital assets* consists of the District’s capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The District had no restricted net position as of December 31, 2021 or 2020. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

**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.

**Operating revenues and expenses** – The District’s 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.

**Grants and contributions** – From time to time, the District receives federal and state grants 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 to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are 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.

**Upcoming accounting standard 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.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to 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)**

*Upcoming accounting standard pronouncements (continued)* – 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.

*Subsequent events* – Subsequent events have been reviewed through June 16, 2022, the date on which the financial statements were available to be issued.

**2. Bank Deposits:**

Under Colorado State Statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts in the event that 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.

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

The District invests in accordance with Colorado State law. Colorado State Statutes authorize the District to invest in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, repurchase agreements, money market funds, and local government investment pools with a maturity date of no more than five years from the date of purchase.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past 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 did not significantly change. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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

	<b>2021</b>	<b>2020</b>
Receivable from patients and their insurance carriers	\$ 2,907,415	\$ 2,972,842
Receivable from Medicare	1,761,144	1,012,386
Receivable from Medicaid	376,089	262,455
Total patient accounts receivable	5,044,648	4,247,683
Less allowance for uncollectible accounts	1,679,629	1,609,613
<b>Patient accounts receivable, net</b>	<b>\$ 3,365,019</b>	<b>\$ 2,638,070</b>

**Prowers County Hospital District  
doing business as Prowers Medical Center  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**4. Property Taxes:**

The Prowers County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. 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. Property taxes are levied by the District and collected by the Prowers County Treasurer. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. No allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2021 and 2020, for taxes levied for 2021 and 2020, respectively.

For 2021, the District's regular tax levy was \$2.723 per \$1,000 on a total assessed valuation of \$145,078,698, for a total regular levy of \$395,049. For 2020, the District's regular tax levy was \$2.723 per \$1,000 on a total assessed valuation of \$140,972,786, for a total regular levy of \$376,721.

**5. Capital Assets:**

The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life greater than three years. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized. When such assets are disposed of, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is classified in nonoperating revenues or expenses.

All capital assets, other than land and construction in progress, are being depreciated using the straight-line method over the estimated useful life of the capital asset. Such amortization is included in depreciation in the financial statements.

Useful lives have been estimated as follows:

Land improvements	5 to 40 years
Buildings and improvements	5 to 40 years
Equipment	3 to 30 years

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

Capital asset activity and balances were as follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 52,827	\$ -	\$ -	\$ -	\$ 52,827
Construction in progress	1,555,667	2,942,786	(41,065)	(4,097,595)	359,793
Total capital assets not being depreciated	1,608,494	2,942,786	(41,065)	(4,097,595)	412,620
<i>Capital assets being depreciated</i>					
Land improvements	595,008	-	-	-	595,008
Buildings and improvements	19,161,981	474,703	-	2,352,425	21,989,109
Equipment	18,886,018	1,039,083	(395,695)	1,745,170	21,274,576
Total capital assets being depreciated	38,643,007	1,513,786	(395,695)	4,097,595	43,858,693
<i>Less accumulated depreciation for</i>					
Land improvements	(328,697)	(21,621)	-	-	(350,318)
Buildings and improvements	(8,345,178)	(778,848)	-	-	(9,124,026)
Equipment	(12,101,594)	(1,120,960)	339,762	-	(12,882,792)
Total accumulated depreciation	(20,775,469)	(1,921,429)	339,762	-	(22,357,136)
<i>Total capital assets being depreciated, net</i>	17,867,538	(407,643)	(55,933)	4,097,595	21,501,557
<b>Capital assets, net</b>	<b>\$ 19,476,032</b>	<b>\$ 2,535,143</b>	<b>\$ (96,998)</b>	<b>\$ -</b>	<b>\$ 21,914,177</b>

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 52,827	\$ -	\$ -	\$ -	\$ 52,827
Construction in progress	686,870	2,880,498	-	(2,011,701)	1,555,667
Total capital assets not being depreciated	739,697	2,880,498	-	(2,011,701)	1,608,494
<i>Capital assets being depreciated</i>					
Land improvements	595,008	-	-	-	595,008
Buildings and improvements	17,030,028	120,252	-	2,011,701	19,161,981
Equipment	18,358,693	544,825	(17,500)	-	18,886,018
Total capital assets being depreciated	35,983,729	665,077	(17,500)	2,011,701	38,643,007
<i>Less accumulated depreciation for</i>					
Land improvements	(283,509)	(45,188)	-	-	(328,697)
Buildings and improvements	(7,776,472)	(568,706)	-	-	(8,345,178)
Equipment	(11,065,053)	(1,054,041)	17,500	-	(12,101,594)
Total accumulated depreciation	(19,125,034)	(1,667,935)	17,500	-	(20,775,469)
<i>Total capital assets being depreciated, net</i>	16,858,695	(1,002,858)	-	2,011,701	17,867,538
<b>Capital assets, net</b>	<b>\$ 17,598,392</b>	<b>\$ 1,877,640</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,476,032</b>

Construction in progress at December 31, 2021, consisted primarily of a master site plan project. This project is in the preliminary stages with no known cost to complete or time at which the project will be completed.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**6. Employee Health Self-insurance:**

The District offers a health insurance plan to all employees, effective the first day of the month following completion of a 30-day waiting period. The plan is administered by the District. The District records plan expenses as incurred. The District accrues an incurred but not reported (IBNR) liability for plan claims that have been incurred but have not yet been reported to the District. The liability is included in accrued compensation and related liabilities on the statements of net position. The District has also purchased a supplementary insurance policy to cover claims in excess of \$60,000.

Changes in the District's IBNR amount were as follows:

	<b>2021</b>	<b>2020</b>
Claim liability, beginning of year	\$ 231,397	\$ 323,324
Current year claims and changes in estimates	2,118,254	1,935,060
Claim payments	<b>(2,076,243)</b>	<b>(2,026,987)</b>
Claim liability, end of year	<b>\$ 273,408</b>	<b>\$ 231,397</b>

**7. Commitments Under Noncancelable Operating Leases and Service Agreements:**

Following is a summary of future minimum obligations under noncancelable operating leases for equipment and future service contract expenses:

<b>Years Ending December 31,</b>	<b>Amount</b>
2022	\$ 149,891
2023	149,891
2024	99,941
2025	49,991
2026	49,991
	<b>\$ 499,705</b>

**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 charity care writeoffs have not changed significantly from the prior year.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to 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, follows:

	<b>2021</b>	<b>2020</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 13,538,843	\$ 12,806,520
Medicaid	6,270,226	5,219,821
Other third-party payors	9,909,950	8,981,943
Patients	1,546,839	1,862,175
Supplemental payments	5,838,759	6,186,695
340B contract pharmacy	98,568	70,302
	<b>37,203,185</b>	<b>35,127,456</b>
Less:		
Charity care	407,109	449,580
Provision for bad debts	1,364,847	1,797,781
	<b>35,431,229</b>	<b>32,880,095</b>
<b>Net patient service revenue</b>	<b>\$ 35,431,229</b>	<b>\$ 32,880,095</b>

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

- *Medicare* – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient 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 acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are paid based on prospectively determined rates. Skilled nursing services are paid on prospectively determined rates per day. Rural health clinic encounters are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid. Physician services are reimbursed on a fee schedule.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

The District also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$271,000 in 2021, and approximately \$34,000 in 2020, due to differences between the original estimates and revised estimates or final settlements.

Medicaid rural health clinic rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing by adjusting the rate to the higher of the prospectively determined rate or the cost per encounter as determined by the District's annual Medicare cost reports. The District had estimated receivables for rate reconciliations of approximately \$526,000 and \$217,000 for the years ended December 31, 2021 and 2020, respectively.

Under the Colorado Health Care Affordability Act (Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under this Act.

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 2021 and 2020 were approximately \$254,000 and \$311,000, respectively.

**9. Defined Contribution Plan:**

The District offers the Prowers Medical Center Employees' Pension Plan, a 401(a) plan (the Plan) to all employees who have completed one year of service and have reached the age of 21. In the first year of employment, employees may choose to make pre-tax contributions as a percentage of their gross pay, up to 6 percent. After one year of service, the District will match half of the employees' voluntary contributions up to 6 percent. Employees are permitted to make contributions up to the applicable Internal Revenue Code limits. Employee contributions to the Plan during the years ended December 31, 2021 and 2020, were approximately \$701,000 and \$753,000, respectively. The District made matching contributions to the Plan of approximately \$246,000 and \$270,000 for the years ended December 31, 2021 and 2020, respectively.

The District had no liability to the Plan at December 31, 2021. Participants are fully vested in their contributions. District contributions are vested at 20 percent after one year of service with gradual increases until vesting reaches 100 percent after five years of service. A participant will also become 100 percent vested immediately upon early retirement, attainment of normal retirement age, or death. Nonvested accounts are forfeited to the Plan and can be used to reduce future employer contributions. The District has the authority to amend the Plan.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**10. Commitments:**

The District entered into a management contract with Quorum Health Resources, LLC (QHR) on May 23, 2008, for the management, administration, and operation of the District. The agreement calls for the District to pay QHR an annual base fee, with a provision for annual increases based on the changes in the Consumer Price Index and pass-through salaries and benefit costs for management. The term of the agreement extends through March 31, 2027. The District's estimated future commitment to QHR for management fees and executive salaries is approximately \$3,151,000.

Total payments to QHR under the management contract during the years ended December 31, 2021 and 2020, were approximately \$595,000 and \$777,000, respectively.

**11. Contingencies:**

**Medical malpractice claims** – The District has professional liability insurance with National Fire & Marine Insurance Company. The policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has a \$25,000 deductible per claim.

The District also holds an excess coverage policy with National Fire & Marine Insurance Company. The excess coverage policy provides coverage with an annual aggregate limit of \$5,000,000. The policy has no 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**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.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**11. Contingencies (continued):**

**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.

**Litigation** – The District is also involved in litigation and regulatory investigations arising in the normal course of business. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**12. Concentration 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 Prowers and Baca Counties.

The mix of receivables from patients was as follows:

	<b>2021</b>	<b>2020</b>
Medicare	<b>36 %</b>	32 %
Medicaid	<b>18</b>	16
Other third-party payors	<b>23</b>	26
Patients	<b>23</b>	26
	<b>100 %</b>	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 hospital operations.

**13. Insurance Settlement:**

The District received insurance settlement payments as result of roof hail damage from August 2017. The District previously received reimbursement of approximately \$751,000 from its insurance carrier. In April 2021, the hospital received additional reimbursement payments of approximately \$1,174,000.

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**14. Paycheck Protection Program (PPP) Note Payable:**

In May 2020, the District was granted a loan from GN Bank, N.A. in the aggregate amount of \$2,896,900, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The District received forgiveness of the PPP loan in June 2021. The loan forgiveness has been recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position.

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

The District received approximately \$4,590,000 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2021 and 2020, the District recognized approximately \$4,223,000 and \$242,000 of grant revenue from these funds, respectively. The District had approximately \$125,000 and \$4,223,000 of remaining funds as of December 31, 2021 and 2020, respectively, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

**16. Subsequent Events:**

In April 2022, the District entered into an agreement for HVAC upgrades with an estimated cost of \$700,000.

In December 2021, the District entered into an agreement to purchase two ultrasound machines in the first quarter of fiscal year 2022 for a total of \$296,750.

**SUPPLEMENTAL INFORMATION**

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Schedule of Budget and Actual Revenues and Expenses**  
**Year Ended December 31, 2021**

	<b>Original and Final Approved Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<i>Operating revenues</i>			
Net patient service revenue	\$ 35,063,000	\$ 35,431,229	\$ 368,229
Other	171,000	144,843	(26,157)
<b>Total operating revenues</b>	<b>35,234,000</b>	<b>35,576,072</b>	<b>342,072</b>
<i>Operating expenses</i>			
Salaries, wages, and employee benefits	17,701,000	15,600,189	2,100,811
Professional fees and other purchased services	7,564,000	8,315,547	(751,547)
Supplies	5,034,000	5,084,192	(50,192)
Depreciation	1,893,000	1,921,429	(28,429)
Provider fees	873,000	874,453	(1,453)
Other	1,868,000	1,585,358	282,642
<b>Total operating expenses</b>	<b>34,933,000</b>	<b>33,381,168</b>	<b>1,551,832</b>
<i>Operating income</i>	<b>301,000</b>	<b>2,194,904</b>	<b>1,893,904</b>
<i>Nonoperating revenues (expenses)</i>			
CARES Act Provider Relief Fund	-	4,223,191	4,223,191
Property taxes	422,000	459,113	37,113
Investment income	100,000	19,610	(80,390)
Loss on disposal of assets	-	(40,984)	(40,984)
<b>Total nonoperating revenues, net</b>	<b>522,000</b>	<b>4,660,930</b>	<b>4,138,930</b>
Excess of revenues over expenses before capital grants and contributions and gain on forgiveness of Paycheck Protection Program loan	823,000	6,855,834	6,032,834
<i>Capital grants and contributions</i>	1,180,000	872,280	(307,720)
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	-	2,896,900	2,896,900
<b>Change in net position</b>	<b>\$ 2,003,000</b>	<b>\$ 10,625,014</b>	<b>\$ 8,622,014</b>

See accompanying independent auditors' report.

**SINGLE AUDIT**

**AUDITORS' SECTION**



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Prowers County Hospital District  
doing business as Prowers Medical Center  
Lamar, 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 financial statements of Prowers County Hospital District doing business as Prowers Medical Center (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 16, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's 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*.

## **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 16, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

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

Board of Directors  
Prowers County Hospital District  
doing business as Prowers Medical Center  
Lamar, Colorado

**Report on Compliance for the Major Federal Program**

*Opinion on the District's Major Federal Program*

We have audited Prowers County Hospital District doing business as Prowers Medical Center'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 the District's major federal program for the year ended December 31, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the 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 generally accepted auditing standards, *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 GAAS, *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.

**Purpose of this Report**

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  
June 16, 2022

**Prowers County Hospital District  
 doing business as Prowers Medical Center  
 Schedule of 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?        yes   X   no
- Significant deficiency(ies) identified?   X   yes        no

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards:**

Internal control over major federal reporting:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   none reported

Type of auditors' report issued on compliance for a major federal program: *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 federal program:**

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
<u>93.498</u>	<u>Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution</u>

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

Auditee qualified as low-risk auditee? yes        no   X

**Prowers County Hospital District  
 doing business as Prowers Medical Center  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended December 31, 2021**

**Section II – Financial Statement Findings**

**2021-001 Auditor Detected Adjusting Journal Entries**

<i>Condition</i>	Adjusting journal entries were proposed by the audit team to correct Federal Insurance Contributions Act (FICA) tax payable, Social Security tax expense, fixed asset cost, accumulated depreciation, and depreciation expense.
<i>Criteria</i>	[ <input type="checkbox"/> ] Compliance Finding [X] Significant Deficiency [ <input type="checkbox"/> ] Material Weakness  District board members, management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. No significant adjusting journal entries should be detected by the auditors during the audit process.
<i>Cause</i>	The District over-accrued FICA tax payable due to a tax refund. The District also incorrectly recorded fixed asset cost, accumulated depreciation, and depreciation expense.
<i>Context</i>	This finding appears to be a systemic issue.
<i>Effect</i>	Financial reports may be inaccurate and could affect the decision making of District management, the Board, state and federal agencies, and the public.
<i>Recommendation</i>	We recommend the District reconcile all accounts to supporting documentation throughout the year and during the year-end close.  In preparing period-end accruals, we recommend the District review payments to ensure they are recorded in the proper period.
<i>Management's Response</i>	Fixed assets and any accounts associated with fixed assets will be reviewed quarterly during the month-end process to ensure any corrections are done timely.  Payroll accounts will be reviewed monthly during the month-end process to ensure any corrections are done timely.

**Section III – Federal Award Findings and Questioned Costs**

There are no matters reported for 2021. Therefore, no corrective action plan is necessary, nor has one been prepared.

**AUDITEE'S SECTION**

**Prowers County Hospital District  
doing business as Prowers Medical Center  
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	Additional Award Identification	Federal Expenditures
<b>U.S. Department of Health and Human Services Direct Programs:</b>				
Provider Relief Fund and American Rescue Plan (ARP) Distribution	93.498		COVID-19	\$ 4,305,310
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19	49,461
Total U.S. Department of Health and Human Services Direct Programs				4,354,771
<b>U.S. Department of Health and Human Services Pass-Through Programs From:</b>				
<i>Colorado Hospital Association</i>				
National Bioterrorism Hospital Preparedness Program	93.889	Not Provided		28,180
<i>Colorado Rural Health Center</i>				
Small Rural Hospital Improvement Grant Program	93.301	Not Provided		7,188
Small Rural Hospital Improvement Grant Program	93.301	H3JRH37428-01-00	COVID-19	74,419
Total U.S. Department of Health and Human Services Pass-Through Programs				109,787
<b>Total expenditures of federal awards</b>				<b>\$ 4,464,558</b>

*See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.*

**Notes to the Schedule of Expenditures of Federal Awards**

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Federal 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.



**Corrective Action Plan  
Year Ended December 31, 2021**

The current year Schedule of Findings and Questioned Costs reported one matter in Section II – *Financial Statement Findings* and no matters in Section III – *Federal Award Findings and Questioned Costs*.

**Current year audit findings:**

**2021-001 Auditor Detected Adjusting Journal Entries**

***Corrective action planned:***

Adjusting journal entries were proposed by the audit team to correct fixed asset cost, accumulated depreciation, and depreciation expense.

Payroll accounts will be reviewed monthly during the month-end process to ensure any corrections are done timely.

***Anticipated completion date:***

December 31, 2022

***Contact person responsible for corrective action:***

Miranda Fisher

**Prowers County Hospital District**  
**doing business as Prowers Medical Center**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended December 31, 2021**

<b>Prior Year Number</b>	<b>Description</b>	<b>Current Status</b>
2020-001	Auditor Detected Adjusting Journal Entries	Repeated as item 2021-001