

**Upper San Juan Health Service District  
doing business as  
Pagosa Springs Medical Center**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2021 and 2020



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

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Pagosa Springs, Colorado

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

#### ***Opinion***

We have audited the accompanying financial statements of Upper San Juan Health Service District doing business as Pagosa Springs 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 its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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' Responsibilities 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 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 May 10, 2021, which has not been included with the 2021 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. 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 20, 2022

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Management’s Discussion and Analysis  
December 31, 2021 and 2020**

Our discussion and analysis of Upper San Juan Health Service District doing business as Pagosa Springs Medical Center’s (the District) financial performance provides an overview of the District’s financial activities for the fiscal years ended December 31, 2021 and 2020. Please read it in conjunction with the District’s financial statements, which begin on page 8.

*Financial Highlights*

- The District’s net position increased \$8,757,564, or 67.1 percent, in 2021, and \$2,123,358, or 19.4 percent, in 2020.
- The District reported operating loss in 2021 of \$592,269 and operating loss in 2020 of \$1,223,671. Income in 2021 increased by \$631,402, or 51.6 percent, over the income reported in 2020. Operating income in 2020 decreased by \$1,466,112, or 604.7 percent compared to 2019.
- Nonoperating revenues (expenses) increased by \$2,951,594, or 167.4 percent, in 2021 compared to 2020. Nonoperating revenues (expenses) increased by \$1,422,405, or 417.7 percent, in 2020 compared to 2019.

*Using this Annual Report*

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. These financial statements and related notes provide information about the activities of the District, including resources held by the District that are designated for specific purposes by contributors, grantors, or enabling legislation.

*The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position*

Our analysis of the District’s finances begins on page 4. One of the most important questions asked about the District’s finances is, “Is the District as a whole better or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These statements report the District’s net position and changes in it. The difference between assets and liabilities is one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District’s patient base and measures of the quality of service it provides to the community, as well as the local economic factors to assess the overall health of the District.

*The Statement of Cash Flows*

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement provides meaningful information on how the District’s cash was generated and how it was used.

*The District’s Net Position*

The District’s net position is the difference between its assets and liabilities reported in the Statements of Net Position on pages 8 and 9. The District’s net position increased by \$8,757,564, or 67.1 percent, in 2021, and \$2,123,358, or 19.4 percent, in 2020.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2021 and 2020**

**Table 1. Net Position**

	2021	2020	2019
<i>Assets</i>			
Current assets	\$ 25,772,922	\$ 24,763,261	\$ 13,073,610
Other noncurrent assets	1,115,298	878,731	1,572,068
Capital assets, net	21,765,648	22,271,693	21,645,485
<b>Total assets</b>	<b>\$ 48,653,868</b>	<b>\$ 47,913,685</b>	<b>\$ 36,291,163</b>
<i>Liabilities</i>			
Current liabilities	\$ 7,177,118	\$ 11,469,024	\$ 4,828,495
Capital lease obligations, less current maturities	-	61,030	270,221
Long-term debt, less current maturities	18,021,514	22,048,284	18,991,684
<b>Total liabilities</b>	<b>25,198,632</b>	<b>33,578,338</b>	<b>24,090,400</b>
<i>Deferred inflows of resources</i>			
Property tax revenue	1,434,016	1,277,441	1,266,215
Deferred inflow from debt refinancing	205,750	-	-
<b>Total deferred inflows of resources</b>	<b>1,639,766</b>	<b>1,277,441</b>	<b>1,266,215</b>
<i>Net position</i>			
Net investment in capital assets	3,076,911	2,991,549	1,478,152
Restricted	1,115,298	878,731	1,572,068
Unrestricted	17,623,261	9,187,626	7,884,328
<b>Total net position</b>	<b>21,815,470</b>	<b>13,057,906</b>	<b>10,934,548</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 48,653,868</b>	<b>\$ 47,913,685</b>	<b>\$ 36,291,163</b>

*The significant changes in assets and liabilities in 2021 were as follows:*

- Total assets for the District were \$48,653,868 at the end of 2021, an increase of \$740,183 from the balance of \$47,913,685 at the end of 2020.  
 Current assets increased \$1,009,661 from \$24,763,261 in 2020 to \$25,772,922 in 2021 due to increased cash and cash equivalents primarily from significant Medicare Accelerated Payments and CARES Act Provider Relief receipts. Net patient receivables of \$4,143,296 in 2021 increased \$722,960 from \$3,420,336 at the end of 2020.
- Total liabilities for the District were \$25,198,632 in 2021, a decrease of \$8,379,706 from the balance of \$33,578,338 in 2020.  
 Current liabilities decreased \$4,291,906 from \$11,469,024 at the end of 2020 to \$7,177,118 at the end of 2021 primarily due to significant decreases in balances related to Medicare Accelerated Payments payable and unearned CARES Act Provider Relief Fund.  
 Long-term debt and capital lease obligations decreased \$4,087,800 from \$22,109,314 in 2020 to a balance of \$18,021,514 in 2021.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Management’s Discussion and Analysis (Continued)**  
**December 31, 2021 and 2020**

*Operating Results and Changes in the District’s Net Position*

In 2021, the District’s net position increased by \$8,757,564, or 67.1 percent, as shown in Table 2. The District’s net position increased by \$2,123,358, or 19.4 percent, in 2020.

**Table 2. Operating Results and Changes in Net Position**

	2021	2020	2019
<i>Operating revenues</i>			
Net patient service revenue	\$ 35,738,866	\$ 32,142,883	\$ 32,584,951
340B contract pharmacy	1,420,266	1,818,620	1,842,227
Electronic health records incentive payment	-	-	143,657
Grants	266,109	181,058	-
Other	208,716	185,820	227,806
<b>Total operating revenues</b>	<b>37,633,957</b>	<b>34,328,381</b>	<b>34,798,641</b>
<i>Operating expenses</i>			
Salaries and benefits	24,055,373	22,441,169	21,986,392
Supplies	6,054,530	5,795,916	4,915,129
Depreciation and amortization	1,802,311	1,793,074	1,877,244
Other	6,314,012	5,521,893	5,777,435
<b>Total operating expenses</b>	<b>38,226,226</b>	<b>35,552,052</b>	<b>34,556,200</b>
<i>Operating income (loss)</i>	<b>(592,269)</b>	<b>(1,223,671)</b>	<b>242,441</b>
<i>Nonoperating revenues (expenses)</i>			
Property taxes	1,434,731	1,405,122	1,262,092
Interest expense	(976,848)	(947,263)	(1,014,962)
CARES Act Provider Relief Fund	4,225,159	1,234,026	-
Interest income	31,470	71,033	93,383
<b>Total nonoperating revenues, net</b>	<b>4,714,512</b>	<b>1,762,918</b>	<b>340,513</b>
Excess of revenues before capital grants and contributions	4,122,243	539,247	582,954
<i>Gain on forgiveness of Paycheck Protection Program Loan</i>	<b>3,740,044</b>	-	-
<i>Capital grants and contributions</i>	<b>895,277</b>	1,584,111	605,664
Change in net position	<b>8,757,564</b>	2,123,358	1,188,618
Net position, beginning of year	<b>13,057,906</b>	10,934,548	9,745,930
<b>Net position, end of year</b>	<b>\$ 21,815,470</b>	<b>\$ 13,057,906</b>	<b>\$ 10,934,548</b>

**Operating Results**

The first component of the overall change in the District’s net position is operating income – the difference between the revenue and the expenses incurred to perform those services. Operating loss decreased \$631,402 from 2020 to 2021.

The primary component of the change in operating income for 2021 compared to 2020 is:

- Net patient service revenue increased \$3,595,983 due to an increase in patient volumes.

Overall, net patient service revenue increased between 2020 and 2021 by \$3,595,983. In 2020, overall net patient service revenue decreased \$442,068 from 2019.

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Management's Discussion and Analysis (Continued)  
December 31, 2021 and 2020**

**Nonoperating Revenues and Expenses**

Nonoperating activity for 2021 and 2020 consists primarily of property taxes levied for repayment of the District's bonds, CARES Act Provider Relief Fund revenue, interest expense, and interest income. Net nonoperating revenues and expenses increased by \$2,951,594, or 167.4 percent, in 2021.

The District recognized CARES Act Provider Relief Funds of \$4,225,159 during 2021. The District also recognized a \$3,740,044 gain on the forgiveness of the Paycheck Protection Program loan.

*The District's Cash Flows*

Changes in the District's cash flows are consistent with changes in operating results and nonoperating revenues and expenses discussed earlier.

*Capital Asset and Debt Administration*

**Capital Assets**

Net capital assets decreased in 2021 by \$506,045, or 2.3 percent, from 2020. This net decrease includes purchases (including construction in progress) of \$1,296,266 and depreciation expense of \$1,802,311. Net capital assets increased \$626,208, or 2.9 percent, from 2019 to 2020. This net increase includes purchases (including construction in progress) of \$2,419,282 and depreciation expense of \$1,793,074.

At the end of 2021, the District had \$21,765,648 in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements.

**Debt**

At December 31, 2021, the District had \$18,422,545 in long-term debt obligations, a decrease of \$781,634 from December 31, 2020. At December 31, 2020, the District had \$19,204,179 in long-term debt obligations.

The District's formal debt issuances must be approved by the District's Board of Directors. The amount of debt issued is subject to limitations that apply to the District. There have been no changes in the District's debt ratings in the past two years.

*Contacting the District's Financial Management*

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's office, at Pagosa Springs Medical Center, 95 S Pagosa Blvd, Pagosa Springs, CO 81147.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs 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	\$ 17,037,727	\$ 17,120,704
Receivables:		
Patient accounts	4,143,296	3,420,336
Property tax levy	1,434,016	1,277,441
Estimated third-party payor settlements	639,000	760,708
Other	515,223	294,660
Inventories	1,801,605	1,651,313
Prepaid expenses	202,055	238,099
Total current assets	25,772,922	24,763,261
<i>Noncurrent assets</i>		
Cash and cash equivalents, restricted for debt service	1,115,298	878,731
Capital assets, net	21,765,648	22,271,693
Total noncurrent assets	22,880,946	23,150,424
<b>Total assets</b>	<b>\$ 48,653,868</b>	<b>\$ 47,913,685</b>

*See accompanying notes to basic financial statements.*

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs 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	\$ 893,997	\$ 738,456
Refunds payable	254,551	501,098
Accrued compensation and related liabilities	1,433,741	1,234,855
Estimated third-party payor settlements	902,277	-
Unearned CARES Act Provider Relief Fund	669,775	3,858,789
Medicare Accelerated Payments payable	2,561,304	4,224,952
Accrued interest payable	60,442	75,965
Current maturities of capital lease obligations	61,031	169,909
Current maturities of long-term debt	340,000	665,000
Total current liabilities	7,177,118	11,469,024
<i>Noncurrent liabilities</i>		
Paycheck Protection Program loan	-	3,740,044
Capital lease obligations, less current maturities	-	61,030
Long-term debt, less current maturities	18,021,514	18,308,240
Total noncurrent liabilities	18,021,514	22,109,314
Total liabilities	25,198,632	33,578,338
<i>Deferred inflows of resources</i>		
Property tax revenue	1,434,016	1,277,441
Deferred inflow from debt refinancing	205,750	-
Total deferred inflows of resources	1,639,766	1,277,441
<i>Net position</i>		
Net investment in capital assets	3,076,911	2,991,549
Restricted	1,115,298	878,731
Unrestricted	17,623,261	9,187,626
Total net position	21,815,470	13,057,906
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 48,653,868</b>	<b>\$ 47,913,685</b>

*See accompanying notes to basic financial statements.*

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs 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	\$ 35,738,866	\$ 32,142,883
340B contract pharmacy	1,420,266	1,818,620
Grants	266,109	181,058
Other	208,716	185,820
<b>Total operating revenues</b>	<b>37,633,957</b>	<b>34,328,381</b>
<i>Operating expenses</i>		
Salaries and wages	20,776,614	19,159,427
Employee benefits	3,278,759	3,281,742
Professional fees and other purchased services	2,440,059	2,142,812
Supplies	6,054,530	5,795,916
Utilities	430,349	361,181
Depreciation and amortization	1,802,311	1,793,074
Leases and rentals	451,270	438,284
Repairs and maintenance	539,480	549,092
Provider fees	929,460	800,963
Insurance	339,605	327,437
Other	1,183,789	902,124
<b>Total operating expenses</b>	<b>38,226,226</b>	<b>35,552,052</b>
<i>Operating loss</i>	<b>(592,269)</b>	<b>(1,223,671)</b>
<i>Nonoperating revenues (expenses)</i>		
Property taxes	1,434,731	1,405,122
Interest expense	(976,848)	(947,263)
CARES Act Provider Relief Fund	4,225,159	1,234,026
Interest income	31,470	71,033
<b>Total nonoperating revenues, net</b>	<b>4,714,512</b>	<b>1,762,918</b>
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan and capital grants and contributions	<b>4,122,243</b>	539,247
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	<b>3,740,044</b>	-
<i>Capital grants and contributions</i>	<b>895,277</b>	1,584,111
Change in net position	<b>8,757,564</b>	2,123,358
Net position, beginning of year	<b>13,057,906</b>	10,934,548
<b>Net position, end of year</b>	<b>\$ 21,815,470</b>	<b>\$ 13,057,906</b>

*See accompanying notes to basic financial statements.*

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs 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	\$ 37,460,157	\$ 34,486,789
Other receipts	254,262	377,944
Payments to and on behalf of employees	(23,856,487)	(23,136,778)
Payments to suppliers and contractors	(12,573,796)	(12,243,762)
<b>Net cash provided by (used in) operating activities</b>	<b>1,284,136</b>	<b>(515,807)</b>
<i>Cash flows from noncapital financing activities</i>		
Receipt of CARES Act Provider Relief Fund	1,036,145	5,092,815
Receipt of Medicare Accelerated Payments	-	4,224,952
Repayment of Medicare Accelerated Payments	(1,663,648)	-
Proceeds from the Paycheck Protection Program loan	-	3,740,044
Property taxes	1,434,731	1,405,122
<b>Net cash provided by noncapital financing activities</b>	<b>807,228</b>	<b>14,462,933</b>
<i>Cash flows from capital and related financing activities</i>		
Principal payments on capital lease obligations	(169,908)	(226,380)
Principal payments on long-term debt	(9,035,000)	(640,000)
Proceeds from the issuance of long-term debt	8,675,266	-
Purchase of capital assets	(1,296,266)	(2,419,282)
Interest paid on long-term debt and capital lease obligations	(1,038,613)	(968,072)
Capital grants and contributions	895,277	1,584,111
<b>Net cash used in capital and related financing activities</b>	<b>(1,969,244)</b>	<b>(2,669,623)</b>
<i>Cash flows from investing activities, investment income</i>	<b>31,470</b>	<b>71,033</b>
Net increase in cash and cash equivalents	<b>153,590</b>	<b>11,348,536</b>
Cash and cash equivalents, beginning of year	<b>17,999,435</b>	<b>6,650,899</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,153,025</b>	<b>\$ 17,999,435</b>

*See accompanying notes to basic financial statements.*

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b><i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 17,037,727	\$ 17,120,704
Cash and cash equivalents, restricted for debt service	1,115,298	878,731
<b>Total cash and cash equivalents</b>	<b>\$ 18,153,025</b>	<b>\$ 17,999,435</b>
<b><i>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</i></b>		
Operating loss	\$ (592,269)	\$ (1,223,671)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	1,802,311	1,793,074
Provision for bad debts	2,547,165	1,730,053
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(3,270,125)	(725,327)
Estimated third-party payor settlements	121,708	(479,440)
Other	(220,563)	11,066
Inventories	(150,292)	(133,613)
Prepaid expenses	36,044	(39,291)
Increase (decrease) in liabilities:		
Accounts payable	155,541	(757,075)
Refunds payable	(246,547)	4,026
Accrued compensation and related liabilities	198,886	(695,609)
Estimated third-party payor settlements	902,277	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,284,136</b>	<b>\$ (515,807)</b>

***Noncash Noncapital Financing Activities*** – During the year ended December 31, 2021, the District recorded a \$3,740,044 gain on forgiveness of the Paycheck Protection Program loan.

*See accompanying notes to basic financial statements.*

**Upper San Juan Health Service District  
doing business as Pagosa Springs 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**

Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District) was organized to operate, maintain, and provide health services to the citizens of Archuleta County and a small portion of Hinsdale and Mineral Counties in the state of Colorado. As organized, the District is exempt from paying federal income tax. The District is governed by a Board of Directors consisting of members that must be qualified electors of the District. Members are elected to staggered four-year terms of office.

The District operates a licensed 11-bed hospital, a rural health clinic, and an ambulance service in Pagosa Springs, Colorado. The services provided include medical-surgical, pediatrics, surgery, emergency room, oncology, pain management clinic, and related ancillary services (laboratory, imaging, cardiology, physical therapy, respiratory therapy, etc.).

**b. Summary of Significant Accounting Policies**

*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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

*Cash and cash equivalents* – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

*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.

*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.

*Capital assets* – The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses are incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method.

Useful lives are estimated as follows:

Buildings and improvements	5 to 39 years
Equipment	2 to 20 years

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs 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)**

***Accrued compensated absences*** – Employees earn paid time off at varying rates depending on years of service. Employees must be full-time with at least one month of continuous employment in order to earn paid time off. Accumulated paid time off cannot exceed certain limits, depending on the employee’s position. All paid time off is accrued and expensed when earned.

***Bond premiums*** – Bond premiums are being amortized on a straight-line basis over the life of the bond issue.

***Net position*** – The 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. *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 and contributions received for purposes other than capital asset acquisitions, 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, state, and county 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. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Contributions, except for capital contributions, are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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

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

*Subsequent events* – Subsequent events have been reviewed through June 20, 2022, the date on which the financial statements were available to be issued.

**2. Bank Deposits and Investments:**

**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 certificate of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

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

**Investments:**

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.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

**Investments (continued)**

***Custodial credit risk*** – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. The District’s investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for investments.

***Credit risk*** – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has a policy specifically requiring or limiting investments of this type.

***Concentration of credit risk*** – Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District has a policy limiting the amount it may invest in any one issuer or multiple issuers.

***Interest rate risk*** – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment’s fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

At December 31, 2021 and 2020, the District had invested \$1,603,215 and \$1,602,444, respectively, in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor’s AAA rating. There is no custodial interest rate or foreign currency risk exposure. The underlying investments held by Colotrust are valued at fair value.

The District’s remaining investments at December 31, 2021 and 2020, were in money market funds, with a carrying value of \$1,208,685 and \$2,387,504, respectively. Of the amounts, \$1,115,298 and \$878,731 are restricted by the bond agreements for debt reserve at December 31, 2021 and 2020, respectively.

The District’s investments are recorded as cash equivalents.

***Fair value measurements*** – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District’s money market funds are valued using quoted market prices (Level 1) as of December 31, 2021 and 2020.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs 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 patient 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 has increased significantly from the prior year due to an increase in self-pay accounts receivable balances. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets, consisted of these amounts:

	<b>2021</b>	<b>2020</b>
Receivable from patients and their insurance carriers	\$ 4,843,141	\$ 3,519,195
Receivable from Medicare	1,657,373	1,197,613
Receivable from Medicaid	320,936	285,150
Total patient accounts receivable	<b>6,821,450</b>	5,001,958
Less allowance for uncollectible accounts	<b>2,678,154</b>	1,581,622
<b>Patient accounts receivable, net</b>	<b>\$ 4,143,296</b>	<b>\$ 3,420,336</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**4. Capital Assets:**

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 101,000	\$ -	\$ -	\$ -	\$ 101,000
Construction in progress	1,487,415	1,251,397	-	(1,995,450)	743,362
Total capital assets not being depreciated	1,588,415	1,251,397	-	(1,995,450)	844,362
<i>Capital assets being depreciated</i>					
Buildings and improvements	27,375,253	7,368	-	1,708,990	29,091,611
Equipment	11,082,890	37,501	(81,700)	286,460	11,325,151
Total capital assets being depreciated	38,458,143	44,869	(81,700)	1,995,450	40,416,762
<i>Less accumulated depreciation for</i>					
Buildings and improvements	(8,629,210)	(1,209,347)	-	-	(9,838,557)
Equipment	(9,145,655)	(592,964)	81,700	-	(9,656,919)
Total accumulated depreciation	(17,774,865)	(1,802,311)	81,700	-	(19,495,476)
Total capital assets being depreciated, net	20,683,278	(1,757,442)	-	1,995,450	20,921,286
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 22,271,693</b>	<b>\$ (506,045)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,765,648</b>

Construction in progress at December 31, 2021, consisted of costs for a new MRI machine and a backup oxygen system for the hospital. The MRI was completed in February 2022 cost with additional costs of approximately \$144,000. The oxygen systems project is scheduled to be completed in December 2022 with no significant additional costs expected to be incurred.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 101,000	\$ -	\$ -	\$ -	\$ 101,000
Construction in progress	73,031	1,414,384	-	-	1,487,415
Total capital assets not being depreciated	174,031	1,414,384	-	-	1,588,415
<i>Capital assets being depreciated</i>					
Buildings and improvements	27,057,488	317,765	-	-	27,375,253
Equipment	10,395,757	687,133	-	-	11,082,890
Total capital assets being depreciated	37,453,245	1,004,898	-	-	38,458,143
<i>Less accumulated depreciation for</i>					
Buildings and improvements	(7,463,345)	(1,165,865)	-	-	(8,629,210)
Equipment	(8,518,446)	(627,209)	-	-	(9,145,655)
Total accumulated depreciation	(15,981,791)	(1,793,074)	-	-	(17,774,865)
Total capital assets being depreciated, net	21,471,454	(788,176)	-	-	20,683,278
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 21,645,485</b>	<b>\$ 626,208</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,271,693</b>

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

The District established a self-insurance fund for employee medical care that is administered through UMR, Incorporated. Specific and aggregate stop-loss coverage on the health plan is provided to limit the ultimate exposure of the District.

The District has recorded the estimated liability for self-insurance claims in the statements of net position, in accrued compensation and related liabilities. The income and expenses related to administration of self-insurance and the estimated provision for claims liabilities are recorded in the statements of revenues, expenses, and changes in net position, in employee benefits expense.

The District accrues an incurred but not yet reported liability for plan claims that have been incurred but have not yet been reported to the District. The District has also purchased a supplementary insurance policy to cover claims in excess of \$50,000.

	2021	2020
Claim liability, beginning of year	\$ 229,398	\$ 274,024
Current year claims and changes in estimates	1,501,813	1,653,521
Claim payments	(1,457,163)	(1,698,147)
Claim liability, end of year	\$ 274,048	\$ 229,398

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

A schedule of changes in the District's long-term debt and capital lease obligations is as follows:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
<i>Long-term debt</i>					
Limited Tax General Obligation Bonds, Series 2006 and Limited Tax General Obligation Bonds, Series 2007	\$ 8,705,000	\$ -	\$ (8,705,000)	\$ -	\$ -
Improvement and Refunding Revenue Bonds, Series 2016 A (Tax Exempt) and Refunding Revenue Bond Series 2016 B (Taxable)	9,920,000	-	(330,000)	9,590,000	340,000
Limited Tax General Obligation Refunding Bonds, Series 2021	-	7,885,000	-	7,885,000	-
2007 bond premium	219,096	-	(219,096)	-	-
2016 bond premium	129,144	-	(5,097)	124,047	-
2021 bond premium	-	790,266	(27,799)	762,467	-
<b>Total long-term debt</b>	<b>18,973,240</b>	<b>8,675,266</b>	<b>(9,286,992)</b>	<b>18,361,514</b>	<b>340,000</b>
<i>Capital lease obligations</i>					
Stryker equipment lease	81,005	-	(64,804)	16,201	16,201
Wells Fargo equipment lease	149,934	-	(105,104)	44,830	44,830
<b>Total capital lease obligations</b>	<b>230,939</b>	<b>-</b>	<b>(169,908)</b>	<b>61,031</b>	<b>61,031</b>
	<b>\$ 19,204,179</b>	<b>\$ 8,675,266</b>	<b>\$ (9,456,900)</b>	<b>\$ 18,422,545</b>	<b>\$ 401,031</b>
	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
<i>Long-term debt</i>					
Limited Tax General Obligation Bonds, Series 2006 and Limited Tax General Obligation Bonds, Series 2007	\$ 9,025,000	\$ -	\$ (320,000)	\$ 8,705,000	\$ 335,000
Improvement and Refunding Revenue Bonds, Series 2016 A (Tax Exempt) and Refunding Revenue Bond Series 2016 B (Taxable)	10,240,000	-	(320,000)	9,920,000	330,000
2007 bond premium	232,442	-	(13,346)	219,096	-
2016 bond premium	134,242	-	(5,098)	129,144	-
<b>Total long-term debt</b>	<b>19,631,684</b>	<b>-</b>	<b>(658,444)</b>	<b>18,973,240</b>	<b>665,000</b>
<i>Capital lease obligations</i>					
Stryker equipment lease	145,810	-	(64,805)	81,005	64,804
Dell server lease	57,645	-	(57,645)	-	-
Wells Fargo equipment lease	251,471	-	(101,537)	149,934	105,105
Synoptek telephone lease	2,393	-	(2,393)	-	-
<b>Total capital lease obligations</b>	<b>457,319</b>	<b>-</b>	<b>(226,380)</b>	<b>230,939</b>	<b>169,909</b>
	<b>\$ 20,089,003</b>	<b>\$ -</b>	<b>\$ (884,824)</b>	<b>\$ 19,204,179</b>	<b>\$ 834,909</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

The terms of the District's long-term debt follow:

- Health Care Services Enterprise Improvement and Refunding Revenue Bonds, Series 2016A (Tax Exempt) and Refunding Revenue Bonds, Series 2016B (Taxable), in the original amounts of \$9,590,000 and \$1,545,000, respectively. The bonds are secured by the District's net revenue. The bonds mature annually at amounts ranging from \$340,000 to \$680,000 with semiannual interest payments at rates ranging from 2.75 percent to 6.125 percent through June 1, 2046.
- Limited Tax General Obligation Refunding Bonds, Series 2021, in the original amount of \$7,885,000, issued in May 2021 to refund the Limited Tax General Obligation Bonds, Series 2006 and Series 2007. The bonds bear interest rates of 3 percent. The bonds mature annually beginning in 2023 at amounts ranging from \$420,000 to \$640,000, with semiannual interest payments through December 2037.

Scheduled principal and interest repayments on long-term debt are as follows:

<b>Years Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 340,000	\$ 720,631	\$ 1,060,631
2023	645,000	712,863	1,357,863
2024	665,000	693,431	1,358,431
2025	685,000	672,825	1,357,825
2026	710,000	651,525	1,361,525
2027-2031	3,915,000	2,891,238	6,806,238
2032-2036	4,635,000	2,161,425	6,796,425
2037-2041	2,365,000	1,292,194	3,657,194
2042-2046	3,515,000	484,641	3,999,641
	<b>\$ 17,475,000</b>	<b>\$ 10,280,772</b>	<b>\$ 27,755,772</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

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

The terms of the District's capital lease obligations follow:

- Wells Fargo equipment lease, due in monthly installments of \$9,402, including interest at 3.37 percent, through May 2022; collateralized by equipment with a cost of \$455,148 and accumulated depreciation of \$313,100 and \$248,649 as of December 31, 2021 and 2020, respectively.
- Stryker equipment lease, due in monthly installments of \$6,076, including interest at 2.32 percent, through April 2022; collateralized by equipment with a cost of \$290,974 and accumulated depreciation of \$290,974 and \$236,416 as of December 31, 2021 and 2020, respectively.

Scheduled principal and interest payments on capital lease obligations are as follows:

<b>Years Ending December 31,</b>	<b>Principal</b>		<b>Interest</b>		<b>Total</b>
2022	\$	61,031	\$	3,082	\$ <b>64,113</b>
	<b>\$</b>	<b>61,031</b>	<b>\$</b>	<b>3,082</b>	<b>\$ 64,113</b>

**7. Paycheck Protection Program Note Payable:**

In April 2020, the District was granted a loan from First Southwest Bank in the aggregate amount of \$3,740,044, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act Provider Relief Fund, which was enacted March 27, 2020.

The District received notice of 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 for the year ended December 31, 2021.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**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 provision for bad debts and write-offs has increased significantly from the prior year due to significant increases in patient services and revenues. The District has not changed its charity care or uninsured discount policies during fiscal years 2021 or 2020. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<b>2021</b>	<b>2020</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 19,675,882	\$ 14,194,536
Medicaid	4,506,384	3,331,856
Other third-party payors	8,186,091	11,676,098
Patients	3,011,829	2,433,032
Provider fee	3,187,647	2,520,101
	<b>38,567,833</b>	<b>34,155,623</b>
Less:		
Charity care	281,802	282,687
Provision for bad debts	2,547,165	1,730,053
<b>Net patient service revenue</b>	<b>\$ 35,738,866</b>	<b>\$ 32,142,883</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 and the clinic a rural health clinic by Medicare. The District is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the 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. 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.

**Upper San Juan Health Service District  
doing business as Pagosa Springs 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, 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.

Laws and regulations governing the Medicare and Medicaid 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 \$50,000 and \$350,000 in the years ended December 31, 2021 and 2020, respectively, due to differences between original estimates and final settlements.

During the year ended December 31, 2017, the District received notice that its Medicaid rural health clinic rates were being updated to the higher of the prospectively determined rate or the cost per encounter as determined by the District's annual Medicare cost reports. Rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing. As a result, Medicaid claims from 2017 through 2019 are being reprocessed, resulting in a payback of approximately \$946,000 that was accrued at December 31, 2021. Net patient service revenue increased by approximately \$128,000 in the year ended December 31, 2021, due to differences in the original estimates and final settlements. For the years ended December 31, 2021 and 2020, the District has estimated a receivable of approximately \$236,000 and \$204,000, respectively, for the rate reconciliation.

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 December 31, 2021 and 2020, were approximately \$154,000 and \$163,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2021 and 2020.

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

As of December 31, 2021, the District received \$6,128,960 of funding from the CARES Act. 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 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 \$4,225,159 and \$1,234,026 of grant revenue from these funds, respectively. The District had \$669,775 remaining as of December 31, 2021, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**10. Property Taxes:**

The Archuleta, Hinsdale, and Mineral County Treasurers act as agents to assess and 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 all may be paid by April 30. The assessed property is subject to lien on the levy date. 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 2022 and 2021, respectively.

For 2021, the District's regular tax levy was \$3.884 per \$1,000 on a total combined assessed valuation of \$368,271,969, for a total regular combined levy of \$1,434,016. For 2020, the District's regular tax levy was \$3.884 per \$1,000 on a total assessed valuation of \$328,483,239, for a total regular levy of \$1,277,441.

**11. Defined Contribution Plans:**

The District provides retirement benefits for all its employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA) (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Under the defined contribution retirement plan, the District is required to contribute 6 percent of employee compensation to the Plan.

Employees are required to participate in the Plan upon the first day of the payroll period after the employee's date of hire. The Plan provides retirement benefits based upon the employee's vested account. A participant becomes 100 percent vested upon completion of five years of covered service. Contributions by employees are immediately vested. Amounts forfeited by employees who leave employment before they become fully vested are applied to reduce future employer contributions. Under the Plan, employees direct the investment of both the employee and employer contributions among several investment options available through an outside plan administrator. Employer contributions to the Plan totaled approximately \$1,238,000 and \$1,186,000 for the years ended December 31, 2021 and 2020, respectively. Employee contributions to the Plan totaled approximately \$1,238,000 and \$1,186,000 for the years ended December 31, 2021 and 2020, respectively.

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, or death. The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they have been excluded from these financial statements.

The District made all required funding payments during the year.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**12. Risk Management and Contingencies:**

***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.

***Medical malpractice claims*** – The District has professional liability insurance with COPIC Insurance Company (COPIC). 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, as well as past incidents that are reported during the current term. 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 deductible of \$50,000 per claim.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

***Industry regulations*** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. 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. Management believes the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

***Taxpayer’s Bill of Rights*** – Colorado voters passed an amendment to the state constitution, Article X, Section 20, known as the *Taxpayer’s Bill of Rights*. This amendment 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 this amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**13. Concentration Risks:**

*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 mix of receivables from patients and third-party payors was as follows:

	<b>2021</b>	<b>2020</b>
Medicare	<b>32 %</b>	29 %
Medicaid	<b>12</b>	12
Other third-party payors	<b>27</b>	36
Patients	<b>29</b>	23
	<b>100 %</b>	100 %

*Physicians* – The District is dependent on local physicians and mid-level providers 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 changes in their utilization patterns may have an adverse effect on District operations.

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

The District overspent its approved budget by \$1,139,856 in 2021.

**SUPPLEMENTAL INFORMATION**

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Schedule of Budget and Actual Revenues and Expenses**  
**Year Ended December 31, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<i>Operating revenues</i>			
Net patient service revenue and 340B contract pharmacy	\$ 31,726,703	\$ 33,971,485	\$ 2,244,782
Provider fees	2,160,116	3,187,647	1,027,531
Grants	346,440	266,109	(80,331)
Other	2,186,419	208,716	(1,977,703)
<b>Total operating revenues</b>	<b>36,419,678</b>	<b>37,633,957</b>	<b>1,214,279</b>
<i>Operating expenses</i>			
Salaries and wages	19,946,262	20,776,614	(830,352)
Employee benefits	3,503,087	3,278,759	224,328
Professional fees and other purchased services	2,272,270	2,440,059	(167,789)
Supplies	6,212,931	6,054,530	158,401
Utilities	439,776	430,349	9,427
Depreciation and amortization	1,948,200	1,802,311	145,889
Leases and rentals	172,923	451,270	(278,347)
Repairs and maintenance	590,918	539,480	51,438
Insurance	311,650	339,605	(27,955)
Provider fees and other	1,688,353	2,113,249	(424,896)
<b>Total operating expenses</b>	<b>37,086,370</b>	<b>38,226,226</b>	<b>(1,139,856)</b>
<i>Operating loss</i>	<b>(666,692)</b>	<b>(592,269)</b>	<b>74,423</b>
<i>Nonoperating revenues (expenses)</i>			
Property taxes	1,200,000	1,434,731	234,731
Interest expense	(1,012,430)	(976,848)	35,582
CARES Act Provider Relief Fund	500,000	4,225,159	3,725,159
Interest income	-	31,470	31,470
<b>Total nonoperating revenues, net</b>	<b>687,570</b>	<b>4,714,512</b>	<b>4,026,942</b>
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan and capital grants and contributions	20,878	4,122,243	4,101,365
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	-	3,740,044	3,740,044
<i>Capital grants and contributions</i>	200,000	895,277	695,277
<b>Change in net position</b>	<b>\$ 220,878</b>	<b>\$ 8,757,564</b>	<b>\$ 8,536,686</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  
Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Pagosa Springs, 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 Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District) which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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*.

### **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 20, 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  
Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Pagosa Springs, Colorado

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

*Opinion on the Major Federal Program*

We have audited Upper San Juan Health Service District doing business as Pagosa Springs 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 auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for 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 GAAS, *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 the 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 20, 2022

**Upper San Juan Health Service District  
 doing business as Pagosa Springs 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  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards:**

Internal control over major federal programs:

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

Type of auditors’ report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

**Identification of Major Federal Program:**

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

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

Auditee qualified as low-risk auditee?  yes  no

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2021**

**Section II – Financial Statement Findings**

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

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

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

**AUDITEE'S SECTION**

**Upper San Juan Health Service District  
doing business as Pagosa Springs 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	Total Federal Expenditures
<b>U.S. Department of Health and Human Services Direct Programs:</b>				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	\$ 5,068,354
COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		COVID-19	202,337
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19	100,000
Total U.S. Department of Health and Human Services Direct Programs				5,370,691
<b>U.S. Department of Health and Human Services Pass-through Programs from:</b>				
<i>Colorado Rural Health Center</i>				
Rural Health Research Centers	93.155	Not provided	COVID-19	124,220
Small Rural Hospital Improvement Grant Program	93.301	Not provided	COVID-19	2,188
Total U.S. Department of Health and Human Services Pass-through Programs				126,408
Total U.S. Department of Health and Human Services				5,497,099
<b>Total U.S. Department of the Treasury Pass-through Programs from:</b>				
<i>Colorado Department of Local Affairs</i>				
Coronavirus Relief Fund	21.019	SD-301, RF-050, CVRF-RF-124, CVRF-RF-175	COVID-19	555,027
<b>Total expenditures of federal awards</b>				<b>\$ 6,052,126</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 Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (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 position, 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 elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2021**

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