

**CHEYENNE COUNTY HOSPITAL
DISTRICT NO. 3**

DBA Cheyenne Manor Nursing Home

FINANCIAL STATEMENTS
With Independent Auditors' Report

Years Ended December 31, 2022 and 2021

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
TABLE OF CONTENTS
DECEMBER 31, 2022 AND 2021

	Page
Independent Auditors' Report	<i>ii</i>
Management Discussion and Analysis	<i>v</i>
Basic Financial Statements:	
Statements of Net Position	1
Statements of Revenue, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	5
Supplemental Information:	
Schedule of Revenue, Expenditures and Changes in Net Position, Budget and Actual (Non-GAAP Budgetary Basis)	12TO



INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Cheyenne County Hospital District No. 3
dba Cheyenne Manor Nursing Home

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home, as of December 31, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home'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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home'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 Cheyenne County Hospital District No. 3, dba Cheyenne Manor Nursing Home'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 as listed in the table of contents 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 accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived

from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
March 30, 2023

CHEYENNE COUNTY HOSPITAL DISTRICT
dba CHEYENNE MANOR

Management's Discussion and Analysis
For the Year Ended December 31, 2022

This section of the report provides readers with a narrative overview and analysis of the financial activities of Cheyenne County Hospital District dba Cheyenne Manor for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the Nursing Home's financial performance.

Financial Highlights:

- Cheyenne Manor's total assets of \$4,188,306 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,541,669.
- Cheyenne Manor's total net position decreased during the year by \$769,185.
- As of the close of the current fiscal year, Cheyenne Manor reported \$844,640 of capital assets, net of depreciation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Nursing Home's basic financial statements. The basic financial statements contain two components: (1) fund financial statements, and (2) notes to the financial statements. The nursing home has only one fund so there are not any government-wide financial statements.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cheyenne Manor, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The *statement of revenues, expenses, and changes in net position* presents information reporting how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Operating revenues are those revenues that are generated from the primary operations of the fund. The Nursing Home includes Medicaid and Private Pay revenue as operating revenues. All other revenues are reported as non-operating revenues. Operating expenses are the expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The fund financial statements can be found on pages 1 to 4 of this report.

Note to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 5 through 11 of this report.

Budgetary Comparisons. Cheyenne Manor adopts an annual appropriated budget for all funds in accordance with Colorado Revised Statutes. Budgetary comparison statements are provided for the financial statements on page 12 of this report.

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of December 31, 2021, assets exceeded liabilities and deferred inflows by \$3,541,669.

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 3,343,666	\$ 3,919,735
Capital assets	<u>844,640</u>	<u>901,707</u>
Total Assets	<u>4,188,306</u>	<u>4,821,442</u>
Liabilities		
Current liabilities	<u>183,204</u>	<u>138,010</u>
Total liabilities	<u>183,204</u>	<u>138,010</u>
Deferred inflows of resources	<u>553,433</u>	<u>462,578</u>
Net position		
Investment in capital assets	844,640	901,707
Restricted	67,000	81,000
Unrestricted	<u>2,540,029</u>	<u>3,238,147</u>
Total net position	<u>\$ 3,451,669</u>	<u>\$ 4,220,854</u>

A significant portion of Cheyenne Manor’s net position represents unrestricted net position of \$2,540,029 which may be used to meet the District’s ongoing obligations to patrons.

Another significant portion of the District’s net position reflects its investment in capital assets. These assets include buildings and improvements, furniture and equipment, and vehicles. These capital assets are used to provide services to residents of the nursing home; consequently, they are not available for future spending.

Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenues		
Operating revenues:		
Charges for services	\$ 1,648,882	\$ 2,098,390
Miscellaneous	39,732	127,083
Non-operating revenues:		
Tax revenues	515,464	532,950
Investment earnings	19,986	24,762
Gain/(loss) on disposal	-	7,848
Total revenues	<u>2,224,064</u>	<u>2,791,033</u>
Expenses		
Operating expense	2,900,395	2,671,508
Depreciation	<u>92,854</u>	<u>90,230</u>
Total expenses	<u>2,993,249</u>	<u>2,761,738</u>
Change in net position	(769,185)	29,295
Net position, beginning	<u>4,220,854</u>	<u>4,191,559</u>
Net position, ending	<u>\$ 3,451,669</u>	<u>\$ 4,220,854</u>

Activities. Operating activity controls decreased Cheyenne Manor's net position by \$769,185 during the current year. Key elements of this increase are as follows:

Total operating revenues increased \$536,859, down 24.1% over the prior year. This is primarily due to having less Medicaid residents than budgeted. Tax revenues decreased \$17,486, down 3.3% from the prior year. Single occupancy rooms related to COVID.

Expenses increased \$231,511 in 2022. This represents an 0.08% overall decrease from the prior year.

The largest decreases for 2022 was the employee benefits, specifically health insurance. In 2022, the board of directors continued to allow the dual plan option choices for staff, with staff paying the difference in premiums for family coverage. Pool agency for nursing staff, paying overtime, and hazard pay during the COVID outbreak were other additional costs in 2022.

Spending controls are in place and concerted efforts have been made to keep expenses within the constraints of the approved budget. However, due to the ongoing decrease in occupancy, growing wages for staff, and the use of agency staff for nursing, we anticipate 2023 will have higher costs still.

Accounts significantly greater than budget included: Employer Contributions to Employee Retirement contributions due to increased participation by staff in the retirement program; Nursing wages were greater than budget for nursing wages. Nursing wages were over budget because we chose to pay overtime wages to staff due to the nursing shortage, rather than pay out as much to an agency to provide nursing staff to provide care for our residents. ADON worked on the floor more due to shortage of employees. Other greater than budget items are: dues/subscriptions (Zoom, DOW Sign, COVID) Maintenance supervisor taking on other duties, helping in dietary housekeeping supplies increased (Bleach, disinfectants, toilet paper, paper towels allocations). Dietary had equipment repair, laundry supplies increased due to COVID. Nursing supplies increased due to covid requirement for masks, gowns, gloves (PPE), purchasing disposable washcloths, disposable underwear. Activity wages related to more one to one activities due to COVID restrictions.

Overall, the facility's total expenses were \$432,173 less than budget at year end, and the Net Operating Income was \$420,658 more than budget, decreasing the District's total net position by \$769,185 for 2022.

Capital Asset and Debt Administration

Capital Assets. Cheyenne Manor's net investment in capital assets as of December 31, 2022, totaled \$844,640 (net of accumulated depreciation). This investment includes all buildings and improvements, furniture and equipment, and vehicles.

The Nursing Home implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land, which is not depreciated. Additional information on the Nursing Home's capital assets can be found in Note 4 of this report.

Request for Information

This financial report is designed to provide a general overview of Cheyenne Manor's finances for all those with an interest in the entities' finances. Questions concerning any of the information provided or questions for additional financial information should be addressed to Cheyenne Manor, PO Box 938, Cheyenne Wells, CO 80810-0938.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,690,995	\$ 3,324,670
Cash with fiscal agent	4,969	9,256
Accounts receivable, net	79,669	81,202
Property tax receivable	553,433	462,578
Prepaid expenses	14,600	42,029
Total current assets	3,343,666	3,919,735
Noncurrent assets:		
Capital assets, net of depreciation	844,640	901,707
Total assets	4,188,306	4,821,442
LIABILITIES		
Current liabilities:		
Accounts payable	71,010	61,807
Accrued salaries and benefits	34,803	31,732
Other accrued liabilities	10,756	23,577
Compensated absences	66,635	20,894
Total current liabilities	183,204	138,010
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	553,433	462,578
NET POSITION		
Investment in capital assets	844,640	901,707
Restricted	67,000	81,000
Unrestricted	2,540,029	3,238,147
Total net position	\$ 3,451,669	\$ 4,220,854

The accompanying notes are an integral part of these financial statements.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for services	\$ 1,648,882	\$ 2,098,390
Miscellaneous	39,732	127,083
	<u>1,688,614</u>	<u>2,225,473</u>
OPERATING EXPENSES		
General and administrative	591,656	482,634
Building and maintenance	170,868	152,996
Laundry	24,816	42,796
Housekeeping	75,577	74,335
Dietary	280,454	232,296
Nursing	1,628,600	1,563,454
Social services	23,982	22,557
Medical Records	38,011	36,708
Activities	66,431	63,732
Depreciation	92,854	90,230
	<u>2,993,249</u>	<u>2,761,738</u>
Total operating expenses	<u>2,993,249</u>	<u>2,761,738</u>
Operating income (loss)	<u>(1,304,635)</u>	<u>(536,265)</u>
NON-OPERATING REVENUE (EXPENSES)		
General and specific tax revenues	515,464	532,950
Investment earnings	19,986	24,762
Gain on disposal of property	-	7,848
	<u>535,450</u>	<u>565,560</u>
Total non-operating revenue (expenses)	<u>535,450</u>	<u>565,560</u>
Change in net position	(769,185)	29,295
Net position-beginning	<u>4,220,854</u>	<u>4,191,559</u>
Net position-ending	<u>\$ 3,451,669</u>	<u>\$ 4,220,854</u>

The accompanying notes are an integral part of these financial statements.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	\$ 1,650,416	\$ 2,113,899
Cash payments to suppliers for goods and services	(1,126,463)	(854,924)
Cash payments to employees for services	(1,701,310)	(1,735,372)
Other operating revenues	<u>39,732</u>	<u>127,083</u>
Net cash provided (used) by operating activities	<u>(1,137,625)</u>	<u>(349,314)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from general and specific ownership tax revenues	<u>519,751</u>	<u>527,651</u>
Net cash provided (used) by noncapital financing activities	<u>519,751</u>	<u>527,651</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of assets	-	9,010
Acquisition of capital assets	<u>(35,787)</u>	<u>(71,340)</u>
Net cash provided (used) by capital and related financing activities	<u>(35,787)</u>	<u>(62,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>19,986</u>	<u>24,762</u>
Net cash provided (used) by investing activities	<u>19,986</u>	<u>24,762</u>
Net increase (decrease) in cash and cash equivalents	(633,675)	140,769
Cash and cash equivalents at beginning of year	<u>3,324,670</u>	<u>3,183,901</u>
Cash and cash equivalents at ending of year	<u>\$ 2,690,995</u>	<u>\$ 3,324,670</u>

The accompanying notes are an integral part of these financial statements.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (1,304,635)</u>	<u>\$ (536,265)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	92,854	90,230
<i>(Increase) decrease in assets:</i>		
Accounts receivable, net	1,533	15,509
Prepaid expenses	27,429	2,516
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	9,203	48,479
Accrued salaries and benefits	3,071	11,263
Other accrued liabilities	(12,821)	14,786
Compensated absences	45,741	4,168
Total adjustments	<u>167,010</u>	<u>186,951</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,137,625)</u></u>	<u><u>\$ (349,314)</u></u>
Schedule of non-cash investing, capital and financing activities:		
None	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cheyenne County Hospital District No. 3 (the District) also known as Cheyenne Manor Nursing Home provides long-term care for residents of Cheyenne Wells, Colorado and the surrounding area. Its residents are private pay and Medicaid. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to local governments and promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies used in the preparation of these financial statements follows.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the non-fiduciary activities of the District.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District accounts for all of its activities in a single proprietary – enterprise fund for its activities which are similar to those found in the private sector, where the determination of changes in net position is necessary or useful to sound financial administration. The business type activities of the District rely significantly upon service charges.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all certificates of deposit.

Investments

The District is authorized by Colorado statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county or school district therein.
- Notes or bonds issued to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include building and improvements, furniture and equipment, and vehicles, are reported in the statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. For lease assets, only those intangible lease assets that cost more than \$15,000 are reported as capital assets.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As the District constructs or acquires capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Building and improvements, furniture and equipment, and vehicles are depreciated using the straight line method over the following estimated useful lives.

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied for the succeeding year are reported as unavailable property tax revenue. The unavailable property tax revenues are recognized in the succeeding year as revenue when the lien attaches and the taxes become available.

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. REVENUES AND EXPENSES

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate was 3.884 mills for the years ended December 31, 2022 and 2021. The District's assessed valuations for 2022 and 2021 were \$119,098,396, and \$122,479,658, respectively.

Compensated Absences

A liability is recorded for vested accumulated rights to sick pay and vacation benefits. Vested accumulated sick leave and vacation is recorded as an expense and liability of the District as the benefits accrue to employees. Vacation time is accrued between January 1st and December 31st. Each employee can accrue and carryover a total of 340 hours of PTO as an overall maximum. Employees can request a cash out option that will require a special motion and approval of the Board of Directors in the year proceeding the year the time was accrued.

Operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the fund are sanitation assessments, late and reconnect charges, and inspection fees. Operating expenses include all expenses incurred to provide water and sanitation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a comprehensive basis of accounting other than generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

A budget is required by Colorado State Statutes. Prior to the fiscal year end, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Prior to December 31, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

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

The carrying amount of the District's deposits at December 31, 2022 and 2021 were \$2,690,995 and \$3,324,670, respectively. The bank balances at December 31, 2022 and 2021 were \$2,741,595 and \$3,399,197, respectively. Of those bank balances, \$500,000 was covered by federal deposit insurance and the remaining balance was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,105,614	\$ 13,675	\$ -	\$ 2,119,289
Furniture and equipment	859,415	22,112	-	881,527
Vehicles	<u>97,871</u>	<u>-</u>	<u>-</u>	<u>97,871</u>
Total capital assets, being depreciated	<u>3,062,900</u>	<u>35,787</u>	<u>-</u>	<u>3,098,687</u>
Less accumulated depreciation				
Buildings and improvements	(1,349,733)	(54,876)	-	(1,404,609)
Furniture and equipment	(765,164)	(29,887)	-	(795,051)
Vehicles	<u>(46,296)</u>	<u>(8,091)</u>	<u>-</u>	<u>(54,387)</u>
Total accumulated depreciation	<u>(2,161,193)</u>	<u>(92,854)</u>	<u>-</u>	<u>(2,254,047)</u>
Total capital assets, net	<u>\$ 901,707</u>	<u>\$ (57,067)</u>	<u>\$ -</u>	<u>\$ 844,640</u>

NOTE 5 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The District matches the employee's contributions up to 4% of the employee's base salary. The District's contributions during 2022 and 2021 were \$25,044 and \$21,761, respectively.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims have not exceeded insurance coverage during any of the last three fiscal years.

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On May 2, 2000 voters in the District approved the following ballot issue, "Should Cheyenne County Hospital District d/b/a Cheyenne Manor Nursing Home be allowed to increase its mill to 3.884 mills effective January 1, 2001, for the year 2001 with the mill levy remaining at 3.884 mills for 2001 and all future years until such time as changed by the voters?"

On May 6, 2014 voters of the District approved the following ballot issue, "Without increasing any existing tax or imposing any new tax, shall all revenues received by Cheyenne County Hospital District in fiscal year 2010 and each fiscal year thereafter be collected, retained and spent without limitation or condition as a voter-approved revenue change under Article X, Section 20 of the Colorado Constitution or any other law?"

The Amendment requires that emergency reserves be established. These reserves must be at least 3 percent of Fiscal year spending (excluding bonded debt service). The District had emergency reserves of \$67,000, and \$81,000 for the years ended December 31, 2022 and 2021, respectively. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

SUPPLEMENTAL INFORMATION

CHEYENNE COUNTY HOSPITAL DISTRICT NO. 3
DBA Cheyenne Manor Nursing Home
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2022
(With comparative actuals for the year ended December 31, 2021)

	<u>2021</u>	<u>2022</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUE				
Beginning fund balance	\$3,269,800	\$ 3,319,147	\$ 3,319,147	\$ -
Charges for services	2,098,390	1,648,882	2,074,768	(425,886)
Miscellaneous	127,083	39,732	30,000	9,732
General and specific tax revenues	532,950	515,464	509,954	5,510
Investment earnings	24,762	19,986	30,000	(10,014)
Proceeds on the sale of capital assets	<u>9,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,061,995</u>	<u>5,543,211</u>	<u>5,963,869</u>	<u>(420,658)</u>
EXPENDITURES				
General and administrative	482,634	591,656	611,880	20,224
Building and maintenance	152,996	170,868	137,612	(33,256)
Laundry	42,796	24,816	47,696	22,880
Housekeeping	74,335	75,577	94,860	19,283
Dietary	232,296	280,454	354,020	73,566
Nursing	1,563,454	1,628,600	1,876,352	247,752
Social services	22,557	23,982	35,116	11,134
Medical Records	36,708	38,011	49,116	11,105
Activities	63,732	66,431	70,703	4,272
Capital outlay	<u>71,340</u>	<u>35,787</u>	<u>91,000</u>	<u>55,213</u>
Total expenditures	<u>2,742,848</u>	<u>2,936,182</u>	<u>3,368,355</u>	<u>432,173</u>
Ending Fund Balance	3,319,147	2,607,029	<u>\$ 2,595,514</u>	<u>\$ 11,515</u>
Less:				
Proceeds on the sale of capital assets	(9,010)	-		
Depreciation	(90,230)	(92,854)		
Beginning fund balance	(3,269,800)	(3,319,147)		
Add:				
Gain on disposal of property	7,848	-		
Capital outlay	<u>71,340</u>	<u>35,787</u>		
Change in net position	<u>\$ 29,295</u>	<u>\$ (769,185)</u>		
Ending fund balance is calculated as follows:				
Current assets	\$ 3,919,735	\$ 3,343,666		
Current liabilities	(138,010)	(183,204)		
Deferred inflows	<u>(462,578)</u>	<u>(553,433)</u>		
	<u>\$ 3,319,147</u>	<u>\$ 2,607,029</u>		

See accompanying independent auditors' report.