



Financial Statements
December 31, 2023 and 2022
Delta County Memorial Hospital

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Independent Auditor's Report

The Board of Directors
Delta County Memorial Hospital
d/b/a Delta Health
Delta, Colorado

We have audited the financial statements of the business-type activities of the Delta County Memorial Hospital d/b/a Delta Health (the Hospital), as of and for the years then ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Delta County Memorial Hospital, as of December 31, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 (*Government Auditing Standards*). 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 Hospital 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.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 13 to the financial statements, the Hospital has suffered recurring losses from operations and a limited cash position. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Hospital has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), for the year ended December 31, 2023. There was no effect on beginning net position as a result of implementing the standard. Our opinion is not modified with respect to this matter.

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 Hospital'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hospital'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 Hospital'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 discussion and analysis 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 that collectively comprise the Hospital's basic financial statements. The schedule of budgeted and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of budgeted and actual revenues and expenses 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 schedule of budgeted and actual revenues is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, on our consideration of the Hospital'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. The purpose of that report 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 Hospital'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 Hospital's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
May 29, 2024

Introduction

Our discussion and analysis of Delta County Memorial Hospital's (Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2023, 2022, and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital, which begin on page 9. Delta County Memorial Hospital Foundation (Foundation), which is determined to be a blended component unit based on the Foundation's bylaws, is presented as a blended component unit in the Hospital's financial statements.

Financial Highlights

In 2023, the net position of the Hospital increased by \$4,474,378 or 15.5%. In 2022, the Hospital's net position decreased by \$2,498,635 or 8.0%. The Hospital recorded an operating loss of \$3,710,595 in 2023; \$5,955,941 in 2022; and \$8,106,367 in 2021. Net nonoperating revenues (expenses) were \$8,122,473 in 2023; \$3,394,806 in 2022; and \$4,062,495 in 2021.

Using this Annual Report

The Hospital'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 statements provide information about the activities of the Hospital, including resources held by the Hospital, but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the accrual basis of accounting.

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

One of the most important questions to ask about the Hospital's finances is, "Is the Hospital, as a whole, in a better financial position 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 Hospital'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 cash is received or paid.

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

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, non-capital financing and capital and related financing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred inflows of resources in the Statements of Net Position. The Hospital's net position increased in 2023 by \$4,474,378 or 15.5%, and decreased in 2022 by \$2,498,635 or 8.0%, as shown in Table 1:

Table 1 – Assets, Liabilities, and Net Position

	2023	2022	2021
Assets			
Cash and equivalents (including restricted and designated funds)	\$ 6,518,774	\$ 6,868,989	\$ 12,249,979
Patient accounts receivable, net	15,215,071	11,672,584	13,279,865
Other current assets	5,589,745	5,023,127	2,971,127
Capital assets, net	25,409,901	24,353,458	24,712,807
Other noncurrent assets	4,914,083	1,151,270	6,308,097
Total assets	\$ 57,647,574	\$ 49,069,428	\$ 59,521,875
Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 15,141,461	\$ 19,510,547	\$ 25,848,153
Long-term liabilities	8,862,943	397,279	2,019,211
Total liabilities	24,004,404	19,907,826	27,867,364
Deferred Inflows of Resources	332,800	325,610	319,884
Total liabilities and deferred inflows of resources	24,337,204	20,233,436	28,187,248
Net Position			
Net investment in capital assets	13,978,385	14,228,391	14,571,006
Restricted, expendable	1,215,063	1,193,723	1,167,336
Unrestricted	18,116,922	13,413,878	15,596,285
Total net position	33,310,370	28,835,992	31,334,627
Total liabilities, deferred inflows of resources, and net position	\$ 57,647,574	\$ 49,069,428	\$ 59,521,875

Operating Results and Changes in the Hospital's Net Position

The declines in net position will now be evaluated by looking at the Hospital's revenue and expenses as shown in Table 2.

Table 2 – Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues			
Net patient service revenues	\$ 98,885,768	\$ 93,057,326	\$ 89,769,979
Other operating revenues	5,409,965	1,306,254	475,305
Total operating revenues	<u>104,295,733</u>	<u>94,363,580</u>	<u>90,245,284</u>
Operating Expenses			
Salaries and wages	45,040,802	41,333,505	41,334,063
Employee benefits	13,620,538	12,727,844	10,879,672
Purchased services and professional fees	13,561,835	13,284,573	12,632,423
Depreciation	2,727,086	2,551,491	2,460,022
Supplies and other	33,056,067	30,422,108	31,045,471
Total operating expenses	<u>108,006,328</u>	<u>100,319,521</u>	<u>98,351,651</u>
Operating Loss	<u>(3,710,595)</u>	<u>(5,955,941)</u>	<u>(8,106,367)</u>
Nonoperating Revenues (Expenses)			
Property taxes	371,843	367,471	363,449
Sales taxes	3,433,154	1,937,615	-
Investment income (loss), net	239,869	(288,786)	(40,583)
Interest expense	(649,130)	(522,916)	(582,235)
Employee retention credit contribution	3,801,576	-	-
HHS Provider Relief Funds	-	-	4,073,002
Other nonoperating revenues	925,161	1,901,422	248,862
Total nonoperating revenues (expenses), net	<u>8,122,473</u>	<u>3,394,806</u>	<u>4,062,495</u>
Revenues in Excess of (Less Than) Expenses Before Transfers and Capital Contributions	4,411,878	(2,561,135)	(4,043,872)
Capital Contributions	<u>62,500</u>	<u>62,500</u>	<u>15,000</u>
Change in Net Position	4,474,378	(2,498,635)	(4,028,872)
Net Position, Beginning of the Year	<u>28,835,992</u>	<u>31,334,627</u>	<u>35,363,499</u>
Net Position, End of the Year	<u>\$ 33,310,370</u>	<u>\$ 28,835,992</u>	<u>\$ 31,334,627</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income or loss, generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In fiscal year 2023, the Hospital's operating loss was lower than in 2022 and 2021. The increased operating loss in 2022 and 2021 was in large part due to the global pandemic, COVID-19.

Net patient service revenues increased from approximately \$89.8 million in 2021 to approximately \$93.1 million in 2022, an increase of 3.7%, and then increased to \$98.9 million from 2022 to 2023, an increase of 6.3%. The increase in 2023 is attributed to higher volumes for outpatient services.

Operating expenses increased by 2.0% from fiscal year 2021 to fiscal year 2022, and increased by approximately 7.7% from fiscal year 2022 to fiscal year 2023 which is primarily due to an increase in salaries and supplies.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales taxes, property taxes, investment income, interest expense, employee retention credit contribution, and other revenue. Total nonoperating revenues increased significantly as a whole due to the employee retention credit contribution and increase in sales tax revenue in 2023 when compared to 2022.

The Hospital's Cash Flows

As reported in the statements of cash flows, cash and cash equivalents decreased approximately \$3.8 million from \$5.4 million at December 31, 2021 to \$1.6 million at December 31, 2022 and increased \$2.7 million from \$1.6 million at December 31, 2022 to \$4.3 million at December 31, 2023. The decrease from 2021 to 2022 is mainly due to the payback of the CMS Advanced Payment and purchase and construction of capital assets. The increase from 2022 to 2023 is mainly due to the advanced payment from UnitedHealthcare and sales of investments.

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

Capital Assets

At the end of 2023 and 2022, the Hospital had approximately \$25.4 million and \$24.4 million invested in capital assets, net of accumulated depreciation. During 2023, the Hospital invested approximately \$783,000 in new property and equipment. The Hospital also saw an increase in lease assets and subscription IT assets of approximately \$3.0 million in 2023. During 2022, the Hospital invested approximately \$1,931,000 in new property and equipment. The 2022 capital expenditures mostly consisted of upgrading equipment for several hospital departments.

Debt

At the end of 2023 and 2022, the Hospital had approximately \$8.3 million and \$9.6 million outstanding on its 2010 Tax Exempt Enterprise Revenue Bonds (Revenue Bonds) and equipment loans.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, creditors, and citizens with a general overview of the Hospital's finances and to the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital's Executive Office at 1501 East 3rd Street, Delta, Colorado 81416.

Delta County Memorial Hospital

Statements of Net Position – Assets

December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,228,086	\$ 469,224
Restricted cash - by donors	-	33,074
Internally designated cash and investments	3,290,688	6,366,691
Receivables		
Patient, net of allowance for doubtful accounts of \$7,556,000 in 2023 and \$5,894,000 in 2022	15,215,071	11,672,584
Estimated third-party payor settlements	-	1,180,993
Property tax	332,800	325,610
Other	2,888,857	604,758
Supplies	1,571,862	1,855,316
Prepaid expenses and other	796,226	1,056,450
Total current assets	27,323,590	23,564,700
Noncurrent Cash and Investments		
Internally designated	10,026	94,010
Held by trustee under debt agreements	1,102,481	1,057,260
Total noncurrent cash and investments	1,112,507	1,151,270
Capital Assets		
Capital assets not being depreciated	1,967,325	2,857,381
Depreciable capital assets, net of accumulated depreciation	20,433,066	20,940,537
Right to use leased assets, net of accumulated amortization	1,743,344	555,540
Right to use subscription IT assets, net of accumulated amortization	1,266,166	-
Total capital assets	25,409,901	24,353,458
Other Assets		
Employee retention credit receivable	3,801,576	-
Total assets	\$ 57,647,574	\$ 49,069,428

Delta County Memorial Hospital
 Statements of Net Position – Liabilities, Deferred Inflows of Resources, and Net Position
 December 31, 2023 and 2022

	2023	2022
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Checks in excess of deposits	\$ -	\$ 365,993
Current maturities of long-term debt	2,151,975	9,576,700
Current maturities of leases	325,305	151,088
Current maturities of subscription IT liabilities	91,293	-
Accounts payable		
Trade	4,577,736	3,317,262
Estimated third-party payor settlements	676,374	-
Advanced payments	1,472,000	2,083,538
Accrued expenses		
Salaries and wages	2,873,331	2,485,350
Employee benefits and other	2,850,684	1,397,609
Interest	122,763	133,007
Total current liabilities	15,141,461	19,510,547
Noncurrent Liabilities		
Long-term debt, less current maturities	6,118,712	-
Leases, less current maturities	1,554,825	397,279
Subscription IT liabilities, less current maturities	1,189,406	-
Total noncurrent liabilities	8,862,943	397,279
Total liabilities	24,004,404	19,907,826
Deferred Inflows of Resources - Property Taxes	332,800	325,610
Net Position		
Net investment in capital assets	13,978,385	14,228,391
Restricted - expendable	1,215,063	1,193,723
Unrestricted	18,116,922	13,413,878
Total net position	33,310,370	28,835,992
Total liabilities, deferred inflows of resources, and net position	\$ 57,647,574	\$ 49,069,428

Delta County Memorial Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$2,579,847 in 2023 and \$2,783,282 in 2022	\$ 98,885,768	\$ 93,057,326
Other operating revenue	5,409,965	1,306,254
Total revenues, gains, and other support	104,295,733	94,363,580
Operating Expenses		
Salaries and wages	45,040,802	41,333,505
Employee benefits	13,620,538	12,727,844
Purchased services and professional fees	13,561,835	13,284,573
Depreciation and amortization	2,727,086	2,551,491
Supplies	22,351,139	19,916,596
Hospital provider fee	4,842,952	4,398,576
Repairs and maintenance	2,642,884	2,717,394
Other	3,219,092	3,389,542
Total operating expenses	108,006,328	100,319,521
Operating Loss	(3,710,595)	(5,955,941)
Nonoperating Revenues (Expenses)		
Property taxes	371,843	367,471
Sales taxes	3,433,154	1,937,615
Investment income (loss)	239,869	(288,786)
Interest expense	(649,130)	(522,916)
Noncapital grants and gifts	760,584	1,796,463
Employee retention credit contribution	3,801,576	-
Other income (expense)	164,577	104,959
Total nonoperating revenues (expenses), net	8,122,473	3,394,806
Revenue in Excess of (Less Than) Expenses	4,411,878	(2,561,135)
Capital Contributions	62,500	62,500
Change in Net Position	4,474,378	(2,498,635)
Net Position, Beginning of the Year	28,835,992	31,334,627
Net Position, End of the Year	\$ 33,310,370	\$ 28,835,992

Delta County Memorial Hospital
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 97,200,648	\$ 91,787,794
Payments to suppliers and contractors	(45,179,743)	(43,508,418)
Payments to or on behalf of employees	(56,820,284)	(53,617,092)
Other receipts, net	3,065,965	1,305,461
Net Cash Used For Operating Activities	<u>(1,733,414)</u>	<u>(4,032,255)</u>
Noncapital Financing Activities		
Property taxes supporting operations	371,843	367,471
Proceeds from sales taxes	3,493,055	1,341,658
Other	925,161	1,901,422
Proceeds from advanced payments	1,427,000	-
Payments made on advanced payments	<u>(2,038,538)</u>	<u>(7,142,657)</u>
Net Cash From (Used For) Noncapital Financing Activities	<u>4,178,521</u>	<u>(3,532,106)</u>
Capital and Related Financing Activities		
Purchase and construction of capital assets	(783,389)	(1,931,985)
Proceeds from long-term debt	1,300,000	581,250
Principal payments on long-term debt	(2,613,831)	(710,000)
Interest paid on long-term debt	(492,856)	(483,306)
Principal payments on leases	(358,550)	(155,958)
Interest paid on leases	(124,260)	(47,171)
Principal payments on subscription IT liabilities	(29,128)	-
Interest paid on subscription IT liabilities	(34,440)	-
Capital contributions	<u>62,500</u>	<u>62,500</u>
Net Cash Used For Capital and Related Financing Activities	<u>(3,073,954)</u>	<u>(2,684,670)</u>
Investing Activities		
Sales and maturities of investments	4,769,304	8,558,370
Purchases of investments	(1,515,737)	(2,261,706)
Interest and dividends on investments	<u>143,848</u>	<u>164,901</u>
Net Cash From Investing Activities	<u>3,397,415</u>	<u>6,461,565</u>
Net Change in Cash and Cash Equivalents	2,768,568	(3,787,466)
Cash and Cash Equivalents, Beginning of Year	<u>1,568,262</u>	<u>5,355,728</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,336,830</u>	<u>\$ 1,568,262</u>
Reconciliation of Cash to Statements of Net Position		
Cash and cash equivalents	\$ 3,228,086	\$ 469,224
Restricted cash - by donors	-	33,074
Internally designated cash and cash equivalents	<u>1,108,744</u>	<u>1,065,964</u>
	<u>\$ 4,336,830</u>	<u>\$ 1,568,262</u>

Delta County Memorial Hospital
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	\$ (3,710,595)	\$ (5,955,941)
Adjustments to reconcile operating income to net cash		
from operating activities		
Depreciation and amortization	2,727,086	2,551,491
Provision for bad debts	2,579,847	2,783,282
Changes in assets, liabilities, and deferred inflows of resources		
Patient accounts receivable, net	(6,122,334)	(1,176,001)
Property tax receivable	(7,190)	(5,726)
Other receivables	(2,344,000)	(793)
Supplies	283,454	(232,944)
Prepaid expenses and other	260,224	(35,587)
Checks in excess of deposits	(365,993)	365,993
Accounts payable	1,260,474	100,801
Accrued expenses	1,841,056	444,257
Estimated third-party payor settlements	1,857,367	(2,876,813)
Deferred inflows of resources	7,190	5,726
	<u>\$ (1,733,414)</u>	<u>\$ (4,032,255)</u>
Net Cash Used For Operating Activities		
Schedule of Non-Cash Investing, Capital, and Financing Activities		
Lease liability for the acquisition of right to use leased assets	<u>\$ 1,690,313</u>	<u>\$ 260,157</u>
Subscription IT liability for the acquisition of right to use subscription IT assets	<u>\$ 1,309,827</u>	<u>\$ -</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Delta County Memorial Hospital d/b/a Delta Health (Hospital) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entities

The Hospital was created in 1964 as a political subdivision of the State of Colorado. The Hospital is not a component unit of another governmental entity. The Hospital began operations in 1975. The Hospital is a 49-bed acute care facility located in Delta, Colorado and has a publicly elected five-member Board of Directors.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

Blended Component Unit

The Delta County Memorial Hospital Foundation (Foundation), a separate legal entity with its own Board of Trustees, exists to raise funds for the Hospital and assist in the providing of educational opportunities for health career students. The Foundation is organized as a Colorado nonprofit corporation and is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Foundation has been determined to be a component unit based on the Foundation's bylaws and is presented as a blended component unit in the Hospital's financial statements as noted in Note 12. The financial statements include the financial activity of the Hospital and Foundation. All significant intercompany transactions and balances have been eliminated.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Hospital's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations, lease liabilities, subscription IT liabilities, and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources to those assets or debt obligations.

Restricted net position:

Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated and restricted cash and investments. For purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient Receivables

Patient receivables are uncollateralized noninterest bearing patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Property Tax Receivable and Revenue

Property tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the property tax receivable has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year for which it is levied. The Hospital received less than 1% of its financial support from property taxes in 2023 and 2022. These funds were used to support operations.

Lien date	-	January 1
Levy date	-	January 1, succeeding year
Due dates	-	February 28 and June 15, succeeding year

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Noncurrent Cash and Investments

Noncurrent cash and investments are set aside by the Board of Directors for future capital improvements and debt redemption, over which the Board retains control and may at its discretion subsequently use for other purposes, restricted by trustee for debt reserve, and restricted by donors. Certificates of deposit and other deposits are recorded at historical cost. Other investments are measured at fair value. Cash and investments that are available for obligations classified as current liabilities are reported in current assets.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	5-30 years
Buildings and improvements	5-40 years
Equipment	5-15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Right to Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful lives of the underlying asset using the straight-line method. The amortization period varies from 1 to 8 years.

Right to Use Subscription IT Assets

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Hospital's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is 10 years.

Bond Premiums and Discounts

Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the related debt using the effective interest method. Amortization is included in interest expense.

Compensated Absences

Most of the Hospital's employees earn cumulative annual leave (CAL) for vacation. Expense and the related liability are recognized as benefits when earned. CAL is computed using the regular pay rates in effect at the statement of net position date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. At December 31, 2023 and 2022, the Hospital accrued \$2,096,768 and \$1,853,267 in cumulative annual leave, which is recorded in accrued salaries and wages in current liabilities on the statements of net position.

Estimated Health Claims Payable

The Hospital is partially self-insured for a portion of its exposure to its risk from employee health claims and purchases annual stop-loss coverage for all claims in excess of \$175,000 per claim for the years ended December 31, 2023 and 2022. Reserves of \$433,712 and \$375,563 at December 31, 2023 and 2022, which are included in employee benefits in current liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are for property taxes. Property taxes are recognized as revenue in the year they are levied.

Lease Liability

Lease Liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Hospital.

Subscription IT Liabilities

Subscription IT liabilities represent the Hospital's obligation to make the subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Hospital.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately \$206,000 and \$119,000 for the years ended December 31, 2023 and 2022, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Provider Fee Program

In 2010, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee based on bed size and payor mix. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Hospital's expense was approximately \$4,843,000 and \$4,399,000 in provider fees for the years ended December 31, 2023 and 2022, which are recorded in operating expenses. The Hospital's revenue was approximately \$9,262,000 and \$9,129,000 of supplemental payments for the years ended December 31, 2023 and 2022, which are recorded as part of net patient service revenue.

Grants and Contributions

The Hospital may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose revenue in excess of (less than) expenses.

Budgets

The Hospital adopts an annual budget in accordance with Colorado Statutes. The budgeted revenue and expenditures are used by management as a control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Implementation of GASB Statement No.96

As of January 1, 2023, the Hospital adopted GASB Statement No.96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The implementation of this standard had no effect on beginning net position. The additional disclosures required by this standard are included in Notes 4 and 7.

Note 2 - Net Patient Service Revenue

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

Medicare: The Hospital participates in the Rural Community Hospital Demonstration Project. Under this program, inpatient acute care and swing bed services rendered to Medicare program beneficiaries are paid based on their reasonable costs for covered inpatient services. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of a prospective pay system and fee schedules. Under a prospective pay system, payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended December 31, 2019.

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. Inpatient non-acute services, certain outpatient services, and defined capital costs related to Medicaid program beneficiaries are paid based on a cost-reimbursement methodology. The Hospital is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and review thereof by the Medicaid Program. The Hospital's Medicaid cost report has been reviewed and settled through the year ended December 31, 2016.

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

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Medicare	55%	55%
Medicaid	17%	18%
Blue Cross and Other Commercial Payors	26%	20%
Self Pay and Other	2%	7%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue decreased approximately \$259,000 for the year ended December 31, 2023 and increased approximately \$807,000 for the year ended December 31, 2022 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated, and years that are no longer likely subject to audits, reviews, and investigations.

Advanced Payments

The Advanced Payments liability balance consists of the remaining unpaid advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic and payments received from UnitedHealthcare as a result of a delay in processing claims. The Hospital received \$11,006,600 in CMS advanced payments during 2020, of which the remaining \$2,083,538 were recouped through the Medicare claims process during the year ended December 31, 2023. Also, during the year ended December 31, 2023, the Hospital received \$1,472,000 in advanced payments from UnitedHealthcare.

Note 3 - Deposits and Investments

The carrying amounts of deposits and investments at December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Carrying Amount		
Cash and bank deposits	\$ 4,336,830	\$ 1,568,262
Investments	3,294,451	6,451,997
	<u>\$ 7,631,281</u>	<u>\$ 8,020,259</u>

Deposits and investments are reported in the following statement of net position captions:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,228,086	\$ 469,224
Restricted Cash - by Donors	-	33,074
Internally Designated to Meet Current Obligations	3,290,688	6,366,691
Internally Designated	10,026	94,010
Restricted Investments Held by Trustee for Debt Service	<u>1,102,481</u>	<u>1,057,260</u>
	<u>\$ 7,631,281</u>	<u>\$ 8,020,259</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Hospital. Statutes also require that the market value of the collateral be at least 102% of the excess deposits. The Hospital's deposit policy does not further restrict bank deposits or limit investment deposits.

The Hospital's deposits in banks at December 31, 2023 and 2022 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

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 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. At December 31, 2023 and 2022, the Hospital's deposits were entirely covered by FDIC and PDPA.

Investments

The Hospital's investments are reported at fair value and net asset value (NAV) per share. The Hospital is authorized by statute to invest funds in obligations of the United States and certain U.S. government agency securities; certain general and revenue obligations of any state of the United States; local government investment pools; certain money market funds; commercial paper; written repurchase and reverse repurchase agreements collateralized by certain authorized securities; certain guaranteed investment contracts, and certain U.S. dollar denominated corporate or bank security.

The Hospital had the following investments and maturities at December 31, 2023 and 2022:

December 31, 2023		Investment Maturities (in Years)			
Investment Type	Carrying Value	Rating	Less Than 1	1-5	6-10
Federal National Mortgage Association Equities	\$ 1,910,171	AA+	\$ 8,611	\$ 1,901,560	\$ -
Colorado Local Government Liquid Asset Trust (at NAV)	10,026	N/A	10,026	-	-
Certificates of Deposits (at cost)	73,470	AAAm	73,470	-	-
	1,300,784	N/A	-	1,300,784	-
	<u>\$ 3,294,451</u>		<u>\$ 92,107</u>	<u>\$ 3,202,344</u>	<u>\$ -</u>
December 31, 2022		Investment Maturities (in Years)			
Investment Type	Carrying Value	Rating	Less Than 1	1-5	6-10
Federal Home Loan Bank	\$ 742,102	AA+	\$ 115	\$ 741,987	\$ -
Federal National Mortgage Association	3,169,801	AA+	7,084	3,162,717	-
Federal Home Loan Mortgage Equities	1,422,045	AA+	8,625	1,413,420	-
Colorado Local Government Liquid Asset Trust (at NAV)	94,010	N/A	94,010	-	-
	1,024,039	AAAm	1,024,039	-	-
	<u>\$ 6,451,997</u>		<u>\$ 1,133,873</u>	<u>\$ 5,318,124</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's investment policy limits investments to securities that mature 15 years or less from the date of purchase, unless otherwise authorized by the governing body.

Credit Risk

The Hospital's investment policy and State statutes limit investments in U.S. government agency securities to one of the three highest rating categories of at least one nationally recognized statistical rating organizations (NRSROs) at the time of purchase.

Concentration of Credit Risk

The Hospital will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying in the investment portfolio so that potential losses on individual securities will be minimized. The Hospital does not have a formally adopted investment policy for managing concentration of credit risk.

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2023 and 2022

The Hospital's investments are invested in a number of securities as follows:

	2023	2022
Federal Home Loan Bank	0%	12%
Federal National Mortgage Association	58%	49%
Federal Home Loan Mortgage Corporation	0%	22%
Colorado Local Government Liquid Asset Trust	2%	16%
Certificates of Deposits	40%	0%
Equities	0%	1%
	100%	100%

Investment Income

Investment income and gains and losses on cash equivalents and investments consist of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Investment Income		
Interest income	\$ 143,848	\$ 164,901
Change in unrealized gains and losses on investments	96,021	(453,687)
	\$ 239,869	\$ (288,786)

Note 4 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended December 31, 2023 are as follows:

	December 31, 2022	Additions	Retirements/ transfers	December 31, 2023
Capital assets not being depreciated				
Land	\$ 1,233,331	\$ -	\$ -	\$ 1,233,331
Construction in progress	1,624,050	596,605	(1,486,661)	733,994
Total capital assets, not being depreciated	<u>\$ 2,857,381</u>	<u>\$ 596,605</u>	<u>\$ (1,486,661)</u>	<u>\$ 1,967,325</u>
Capital assets being depreciated				
Land improvements	\$ 1,760,552	\$ -	\$ 27,920	\$ 1,788,472
Building and building improvements	35,678,401	-	1,057,900	36,736,301
Fixed equipment	54,460	-	-	54,460
Major movable equipment	28,170,226	186,784	349,584	28,706,594
Total capital assets, being depreciated	<u>65,663,639</u>	<u>\$ 186,784</u>	<u>\$ 1,435,404</u>	<u>67,285,827</u>
Less accumulated depreciation for				
Land improvements	(1,440,253)	\$ (71,696)	\$ -	(1,511,949)
Building and building improvements	(18,540,808)	(1,023,956)	-	(19,564,764)
Fixed equipment	(54,460)	-	-	(54,460)
Major movable equipment	(24,687,581)	(1,085,264)	51,257	(25,721,588)
Total accumulated depreciation	<u>(44,723,102)</u>	<u>\$ (2,180,916)</u>	<u>\$ 51,257</u>	<u>(46,852,761)</u>
Net capital assets, being depreciated	<u>\$ 20,940,537</u>			<u>\$ 20,433,066</u>
Right of Use Leased Assets Being Amortized				
Equipment	\$ 630,799	\$ 1,690,313	\$ (40,449)	2,280,663
Building	213,543	-	-	213,543
Total right to use assets being amortized	844,342	1,690,313	(40,449)	2,494,206
Total accumulated amortization	<u>(288,802)</u>	<u>(502,509)</u>	<u>40,449</u>	<u>(750,862)</u>
Total right of use leased assets, net	<u>\$ 555,540</u>	<u>\$ 1,187,804</u>	<u>\$ -</u>	<u>1,743,344</u>
Right to use Subscription IT Assets				
Being amortized	\$ -	\$ 1,309,827	\$ -	\$ 1,309,827
Less accumulated amortization	-	(43,661)	-	(43,661)
Total right to use subscription IT assets, net	<u>\$ -</u>	<u>\$ 1,266,166</u>	<u>\$ -</u>	<u>\$ 1,266,166</u>
Capital assets, net	<u>\$ 24,353,458</u>			<u>\$ 25,409,901</u>

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2023 and 2022

Capital assets additions, retirements, transfers and balances for the year ended December 31, 2022 are as follows:

	December 31, 2021	Additions	Retirements/ transfers	December 31, 2022
Capital assets not being depreciated				
Land	\$ 1,233,331	\$ -	\$ -	\$ 1,233,331
Construction in progress	88,869	1,537,905	(2,724)	1,624,050
Total capital assets, not being depreciated	<u>\$ 1,322,200</u>	<u>\$ 1,537,905</u>	<u>\$ (2,724)</u>	<u>\$ 2,857,381</u>
Capital assets being depreciated				
Land improvements	\$ 1,738,498	\$ 71,808	\$ (49,754)	\$ 1,760,552
Building and building improvements	35,618,476	57,201	2,724	35,678,401
Fixed equipment	56,810	-	(2,350)	54,460
Major movable equipment	28,326,310	265,071	(421,155)	28,170,226
Total capital assets, being depreciated	<u>65,740,094</u>	<u>\$ 394,080</u>	<u>\$ (470,535)</u>	<u>65,663,639</u>
Less accumulated depreciation for				
Land improvements	(1,436,476)	\$ (53,531)	\$ 49,754	(1,440,253)
Building and building improvements	(17,377,142)	(1,163,666)	-	(18,540,808)
Fixed equipment	(54,460)	-	-	(54,460)
Major movable equipment	(23,929,596)	(1,181,490)	423,505	(24,687,581)
Total accumulated depreciation	<u>(42,797,674)</u>	<u>\$ (2,398,687)</u>	<u>\$ 473,259</u>	<u>(44,723,102)</u>
Net capital assets, being depreciated	<u>\$ 22,942,420</u>			<u>\$ 20,940,537</u>
Right of Use Leased Assets Being Amortized				
Equipment	\$ 370,642	\$ 260,157	\$ -	630,799
Building	213,543	-	-	213,543
Total right to use assets being amortized	584,185	260,157	-	844,342
Total accumulated amortization	<u>(135,998)</u>	<u>(152,804)</u>	<u>-</u>	<u>(288,802)</u>
Total right of use leased assets, net	<u>448,187</u>	<u>\$ 107,353</u>	<u>\$ -</u>	<u>555,540</u>
Capital assets, net	<u>\$ 24,712,807</u>			<u>\$ 24,353,458</u>

Construction in progress at December 31, 2023 represents the pharmacy department remodel, intensive care unit ceiling lift, and electronic health record upgrades. The estimated cost to complete these projects is approximately \$620,000 as of December 31, 2023. The pharmacy department remodel and intensive care unit ceiling lift were completed in the first quarter of 2024 and were funded through operations. The electronic health record upgrades are expected to be completed in the second half of 2024 and will be funded through a grant.

Note 5 - Notes Payable and Long-Term Debt

Long-term debt consists of:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due within One Year
Series 2010 Enterprise Revenue Refunding Bonds (1)	\$ 7,255,000	\$ -	\$ (745,000)	\$ 6,510,000	\$ 790,000
Original issue discount	(59,933)	-	7,818	(52,115)	-
Note payable (2)	581,250	-	(68,448)	512,802	61,975
Line of credit (3)	-	1,300,000	-	1,300,000	1,300,000
Line of credit (4)	1,800,383	-	(1,800,383)	-	-
	<u>\$ 9,576,700</u>	<u>\$ 1,300,000</u>	<u>\$ (2,606,013)</u>	<u>\$ 8,270,687</u>	<u>\$ 2,151,975</u>
	Balance December 31, 2021	Additions	Reductions	December 31, 2022	Amounts Due within One Year
Series 2010 Enterprise Revenue Refunding Bonds (1)	\$ 7,965,000	\$ -	\$ (710,000)	\$ 7,255,000	\$ 7,255,000
Original issue discount	(67,750)	-	7,817	(59,933)	(59,933)
Note payable (2)	-	581,250	-	581,250	581,250
Line of credit (4)	1,800,383	-	-	1,800,383	1,800,383
	<u>\$ 9,697,633</u>	<u>\$ 581,250</u>	<u>\$ (702,183)</u>	<u>\$ 9,576,700</u>	<u>\$ 9,576,700</u>

Long-term debt maturities are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 2,151,975	\$ 387,737	\$ 2,539,712
2025	895,797	340,464	1,236,261
2026	944,856	290,756	1,235,612
2027	999,164	238,322	1,237,486
2028	1,053,738	182,873	1,236,611
2029 - 2030	2,277,272	186,978	2,464,250
	(52,115)		
Total	\$ 8,270,687	\$ 1,627,130	\$ 9,949,932

(1) The Series 2010 Enterprise Revenue Refunding Bonds have interest rates ranging from 5% to 5.5% and were due in semi-annual interest only payments until September 2018, when annual principal payments commenced. The bonds have a maturity date September 2030 and are secured by property and assignment of revenues.

Under the terms of the revenue bonds loan agreements, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted investments in the financial statements. The loan agreement also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance.

(2) The Hospital entered into a note payable with Stafford Enterprises, LLC. The note payable has an interest rate of 6% and is due in monthly installments, including interest, of \$7,638 until December 2030. The note payable is secured by the first deed of trust encumbering the property that was purchased.

(3) On March 3, 2023, the Hospital entered into a line of credit with Alpine Bank for \$1,300,000. Interest accrues, and is payable monthly, at a rate of 8%. The borrowings are secured by a certificate of deposit. The line of credit expires December 31, 2024.

(4) On November 15, 2022, the Hospital entered into a line of credit agreement with Bank of Colorado. The revolving line of credit provided for available borrowings up to \$1,797,143. Interest accrued, and was payable monthly, at a rate of 2.2% - 4.50%. The borrowings were secured by the Hospital's investment portfolio. The line of credit expired September 15, 2023 and was paid in full.

Note 6 - Lease Obligations

The Hospital entered into various agreements to lease office space and medical equipment. The leases terminate at various dates through April 2031. Under the terms of the lease agreements, the Hospital pays monthly base rents ranging from \$798 to \$24,205.

During the years ended December 31, 2023 and 2022, the Hospital recorded approximately \$124,260 and \$47,171 in interest expense for the right to use the office space and equipment. The Hospital used a discount rate of 3% based on the incremental borrowing rate at the inception of the leases.

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2023 and 2022

A summary of the changes in lease liabilities during the year ended December 31, 2023 is as follows:

	Balance December 31, 2022	Additions	Payments	Balance December 31, 2023	Due Within One Year
Lease Liabilities	\$ 548,367	\$ 1,683,881	\$ (352,118)	\$ 1,880,130	\$ 325,305

A summary of the changes in lease liabilities during the year ended December 31, 2022 is as follows:

	Balance December 31, 2021	Additions	Payments	Balance December 31, 2022	Due Within One Year
Lease Liabilities	\$ 444,168	\$ 260,157	\$ (155,958)	\$ 548,367	\$ 151,088

Remaining obligations associated with the leases are as follows:

Fiscal year Ended December 31,	Principal	Interest
2024	\$ 325,305	\$ 111,221
2025	288,960	92,420
2026	306,325	73,398
2027	316,624	53,193
2028	295,211	33,048
Thereafter	347,705	12,402
	\$ 1,880,130	\$ 375,682

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

The Hospital has entered into a SBITA contract for a subscription-based technology arrangement. The Hospital is required to make principal and interest payments through 2033. The subscription liability was valued using a discount rate of 8% based on the incremental borrowing rate at the inception of the SBITA contract.

A summary of the changes in subscription IT liabilities during the year ended December 31, 2023 is as follows:

	Balance December 31, 2022	Additions	Payments	Balance December 31, 2023	Due Within One Year
Subscription IT Liabilities	\$ -	\$ 1,309,827	\$ (29,128)	\$ 1,280,699	\$ 91,293

Remaining principal and interest payments on subscriptions are as follows:

<u>Fiscal year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 91,293	\$ 99,411
2025	99,169	91,535
2026	107,400	83,304
2027	116,314	74,390
2028	125,767	64,937
Thereafter	740,756	149,195
	<u>\$ 1,280,699</u>	<u>\$ 562,772</u>

Note 8 - Pension Plan

The Hospital has a defined contribution 403(b) profit-sharing plan that substantially covers all employees over 21 that have completed one year of service. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by Cuna Mutual. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. In 2019, the Hospital increased the amount contributed from one percent to three percent. The annual employer contributions are a board election each year. In 2022, the board elected to forego employer contributions. Contributions made by the Hospital totaled \$600,000 during 2023 and \$0 during 2022. Matching contributions and employer contributions become vested under a three-year vesting schedule, in which no funds are considered vested until three years of vesting has been completed. If employment is terminated before becoming fully invested, employees are entitled to a distribution of their fully vested benefits. Non-vested benefits will be forfeited.

Note 9 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	40%	39%
Medicaid	7%	10%
Other third-party payors	42%	43%
Patients	11%	8%
	<u>100%</u>	<u>100%</u>

Note 10 - Fair Value Measurements

The Hospital has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quote prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset.

Equities are classified within Level 1 because they are comprised of assets with readily determinable fair values based on daily redemption values. Debt securities and the certificate of deposit are classified within Level 2 because they are valued using pricing model based on credit quality, time to maturity, stated interest rates and market-rate assumptions.

NAV per share, is used to estimate the fair value of the Colorado Local Government Liquid Asset Trust, which does not have a readily determinable fair value. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Assets measured at fair value on a recurring basis and the related fair values of these assets, except those measured at cost or by NAV per share as identified, at December 31, 2023 are as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Federal National Mortgage Association Equities	\$ 1,910,171 10,026	\$ - 10,026	\$ 1,910,171 -	\$ - -
	1,920,197	<u>\$ 10,026</u>	<u>\$ 1,910,171</u>	<u>\$ -</u>
Cash and bank deposits (at cost)	4,336,830			
Certificates of Deposits (at cost)	1,300,784			
Colorado local government liquid asset trust (at NAV)	<u>73,470</u>			
	<u>\$ 7,631,281</u>			

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2023 and 2022

Assets measured at fair value on a recurring basis and the related fair values of these assets, except those measured at cost or by NAV per share as identified, at December 31, 2022, are as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Federal Home Loan Bank	\$ 742,102	\$ -	\$ 742,102	\$ -
Federal National Mortgage Association	3,169,801	-	3,169,801	-
Federal Farm Credit Bank Debenture	1,422,045	-	1,422,045	-
Equities	94,010	94,010	-	-
	<u>5,427,958</u>	<u>\$ 94,010</u>	<u>\$ 5,333,948</u>	<u>\$ -</u>
Cash and bank deposits (at cost)	1,568,262			
Colorado local government liquid asset trust (at NAV)	<u>1,024,039</u>			
	<u>\$ 8,020,259</u>			

The following table sets forth additional disclosures for the fair value measurements in certain entities that calculate NAV per share for the years ended December 31, 2023 and 2022:

Investment Type	December 31, 2023				
	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Colorado Local Government Liquid Asset Trust	1	\$ 73,470	\$ -	Daily	1 day

Investment Type	December 31, 2022				
	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Colorado Local Government Liquid Asset Trust	1	\$ 1,024,039	\$ -	Daily	1 day

Colorado Local Government Liquid Asset Trust – Funds are invested in U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities, government agencies, and the highest-rated commercial paper.

Note 11 - Contingencies

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; 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 other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. The limits of the malpractice insurance are \$1 million per claim with an annual aggregate limit of \$3 million. The Hospital also has an umbrella liability insurance policy that provides additional protection on a claims-made basis subject to a limit of \$5 million. Should the claims made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Self-Funded Health Plan

The Hospital is self-funded for health benefits for eligible employees and their dependents. The Hospital, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred by not reported claims that will be paid by the Hospital. The Hospital has stop loss insurance to cover catastrophic claims in excess of \$175,000 per claim and an annual aggregate limit of \$6.1 million for the plan year ended December 31, 2023.

During the year ended December 31, 2022, the Hospital revised their policy for the self-funded health plan. Any employees on the self-funded health plan that received services at the Hospital no longer have to pay for the services they receive. The Hospital expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued employee benefits on the statements of net position. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of claims liabilities during the past two years are as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2023	\$ 375,563	\$ 9,817,299	\$ (9,759,150)	\$ 433,712
2022	368,617	10,891,682	(10,884,736)	375,563

Note 12 - Presentation of Component Unit

The following summarizes combining information for the Hospital and Foundation which has been presented as a blended component unit, as of and for the years ended December 31, 2023 and 2022.

Statement of net position as of December 31, 2023:

	<u>Hospital</u>	<u>Foundation</u>	<u>Combined</u>
Assets			
Current assets	\$ 26,704,000	\$ 619,590	\$ 27,323,590
Noncurrent cash and investments	1,102,481	10,026	1,112,507
Capital assets, net of accumulated depreciation	25,409,901	-	25,409,901
Other assets	3,801,576	-	3,801,576
	<u>57,017,958</u>	<u>629,616</u>	<u>57,647,574</u>
Total assets	\$ 57,017,958	\$ 629,616	\$ 57,647,574
Liabilities			
Current liabilities	\$ 15,141,461	\$ -	\$ 15,141,461
Long-term liabilities	8,862,943	-	8,862,943
	<u>24,004,404</u>	<u>-</u>	<u>24,004,404</u>
Total liabilities	24,004,404	-	24,004,404
Deferred Inflow of Resources	<u>332,800</u>	<u>-</u>	<u>332,800</u>
Net Position			
Net investment in capital assets	13,978,385	-	13,978,385
Restricted - expendable	1,102,481	112,582	1,215,063
Unrestricted	17,599,888	517,034	18,116,922
	<u>32,680,754</u>	<u>629,616</u>	<u>33,310,370</u>
Total net position	32,680,754	629,616	33,310,370
Total liabilities, deferred inflow of resources, and net position	\$ 57,017,958	\$ 629,616	\$ 57,647,574

Delta County Memorial Hospital

Notes to Financial Statements
December 31, 2023 and 2022

Operating results and changes in net position for the year ended December 31, 2023:

	<u>Health Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating Revenues				
Net patient services revenue	\$ 98,885,768	\$ -	\$ -	\$ 98,885,768
Other operating revenues	5,474,965	-	(65,000)	5,409,965
Total operating revenues	<u>104,360,733</u>	<u>-</u>	<u>(65,000)</u>	<u>104,295,733</u>
Operating Expenses				
Depreciation and amortization	2,727,086	-	-	2,727,086
Other operating expenses	105,195,102	149,140	(65,000)	105,279,242
Total operating expenses	<u>107,922,188</u>	<u>149,140</u>	<u>(65,000)</u>	<u>108,006,328</u>
Operating Loss	(3,561,455)	(149,140)	-	(3,710,595)
Nonoperating Revenues, Net	<u>7,902,349</u>	<u>220,124</u>	<u>-</u>	<u>8,122,473</u>
Expenses in Excess of Revenues	4,340,894	70,984	-	4,411,878
Capital Contributions	<u>62,500</u>	<u>-</u>	<u>-</u>	<u>62,500</u>
Change in Net Position	4,403,394	70,984	-	4,474,378
Net Position, Beginning of Year	<u>28,277,360</u>	<u>558,632</u>	<u>-</u>	<u>28,835,992</u>
Net Position, End of Year	<u>\$ 32,680,754</u>	<u>\$ 629,616</u>	<u>\$ -</u>	<u>\$ 33,310,370</u>

Cash flows for the year ended December 31, 2023:

	<u>Health Center</u>	<u>Foundation</u>	<u>Combined</u>
Net Cash Used for Operating Activities	\$ (1,585,908)	\$ (147,506)	\$ (1,733,414)
Net Cash from Noncapital Financing Activities	3,987,849	190,672	4,178,521
Net Cash Used for Capital and Related Financing Activities	(3,073,954)	-	(3,073,954)
Net Cash from Investing Activities	<u>3,283,979</u>	<u>113,436</u>	<u>3,397,415</u>
Net Change in Cash and Cash Equivalents	2,611,966	156,602	2,768,568
Cash and Cash Equivalents, Beginning of Year	<u>1,105,274</u>	<u>462,988</u>	<u>1,568,262</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,717,240</u>	<u>\$ 619,590</u>	<u>\$ 4,336,830</u>

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2023 and 2022

Statement of net position as of December 31, 2022:

	Hospital	Foundation	Combined
Assets			
Current assets	\$ 23,100,078	\$ 464,622	\$ 23,564,700
Noncurrent cash and investments	1,057,260	94,010	1,151,270
Capital assets, net of accumulated depreciation	24,353,458	-	24,353,458
Total assets	\$ 48,510,796	\$ 558,632	\$ 49,069,428
Liabilities			
Current liabilities	\$ 19,510,547	\$ -	\$ 19,510,547
Long-term liabilities	397,279	-	397,279
Total liabilities	19,907,826	-	19,907,826
Deferred Inflow of Resources	325,610	-	325,610
Net Position			
Net investment in capital assets	14,228,391	-	14,228,391
Restricted - expendable	1,090,334	103,389	1,193,723
Unrestricted	12,958,635	455,243	13,413,878
Total net position	28,277,360	558,632	28,835,992
Total liabilities, deferred inflow of resources, and net position	\$ 48,510,796	\$ 558,632	\$ 49,069,428

Operating results and changes in net position for the year ended December 31, 2022:

	Health Center	Foundation	Eliminations	Combined
Operating Revenues				
Net patient services revenue	\$ 93,057,326	\$ -	\$ -	\$ 93,057,326
Other operating revenues	1,355,219	-	(48,965)	1,306,254
Total operating revenues	94,412,545	-	(48,965)	94,363,580
Operating Expenses				
Depreciation and amortization	2,551,491	-	-	2,551,491
Other operating expenses	97,676,005	140,990	(48,965)	97,768,030
Total operating expenses	100,227,496	140,990	(48,965)	100,319,521
Operating Loss	(5,814,951)	(140,990)	-	(5,955,941)
Nonoperating Revenues, Net	3,143,546	251,260	-	3,394,806
Expenses in Excess of Revenues	(2,671,405)	110,270	-	(2,561,135)
Capital Contributions	62,500	-	-	62,500
Change in Net Position	(2,608,905)	110,270	-	(2,498,635)
Net Position, Beginning of Year	30,886,265	448,362	-	31,334,627
Net Position, End of Year	\$ 28,277,360	\$ 558,632	\$ -	\$ 28,835,992

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2023 and 2022

Cash flows for the year ended December 31, 2022:

	Health Center	Foundation	Combined
Net Cash Used for Operating Activities	\$ (3,890,986)	\$ (141,269)	\$ (4,032,255)
Net Cash from (Used For) Noncapital Financing Activities	(3,778,496)	246,390	(3,532,106)
Net Cash Used for Capital and Related Financing Activities	(2,684,670)	-	(2,684,670)
Net Cash from (Used For) Investing Activities	6,470,320	(8,755)	6,461,565
Net Change in Cash and Cash Equivalents	(3,883,832)	96,366	(3,787,466)
Cash and Cash Equivalents, Beginning of Year	4,989,106	366,622	5,355,728
Cash and Cash Equivalents, End of Year	\$ 1,105,274	\$ 462,988	\$ 1,568,262

Note 13 - Financial Condition

The Hospital's consolidated financial statements have been prepared assuming the Hospital will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Hospital experienced overall operating losses of \$3,710,595 as of December 31, 2023 and \$5,955,941 as of December 31, 2022. Days cash on hand also decreased to 20.3 days at December 31, 2023 from 23.7 days at December 31, 2022.

The Hospital is reorganized the revenue cycle department and is working on streamlining the process in an attempt to decrease denials and errors in coding and billing, improve the timeliness of cash collections, and maximize charge capture. The Hospital is also in the process of reviewing insurance payor contracts to ensure that reimbursement is maximized. In addition, the Hospital hired a chief operating officer who is utilizing key performance indicators to analyze departmental performance and identify areas where operational improvements can be made.

The consolidated financial statements do not include any adjustments to reflect the possible future effects on the profitability and classification of assets and the amounts and classification of liabilities that may result from the possible inability of the Hospital to continue as a going concern.

Note 14 - Subsequent Events

Subsequent to year-end, Change Healthcare, a third-party claims processor and clearinghouse, experienced a material data breach which has caused significant disruption in the ability of healthcare providers across the United States to bill and collect outstanding claims, as well as other operational impacts. The Hospital's operations have been significantly impacted by the breach, specifically in its inability to bill and collect claims timely. Management has taken actions to stabilize cash flow by securing a line of credit, which may be utilized if necessary. No amounts have been drawn on the line of credit as of May 29, 2024. Additionally, any impacts on estimates and operations currently identified have been incorporated in the consolidated financial statements for the year ended December 31, 2023. The Hospital continues to monitor the developments associated with the breach and is currently assessing additional impacts of this incident on its operations. Given the inherent uncertainty surrounding such events, the ultimate impact on the Hospital's consolidated financial statements cannot be reasonably estimated at this time.

Subsequent events have been evaluated through May 29, 2024, the date the consolidated financial statements were available to be issued.



Supplementary Information
December 31, 2023 and 2022

Delta County Memorial Hospital

Delta County Memorial Hospital
Schedule of Budgeted and Actual Revenues and Expenses – Hospital Only
Year Ended December 31, 2023

	Actual	Budgeted	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 98,885,768	\$ 90,211,813	\$ 8,673,955
Other	5,474,965	336,751	5,138,214
	<u>104,360,733</u>	<u>90,548,564</u>	<u>13,812,169</u>
Operating Expenses			
Salaries, wages, and employee benefits	58,661,340	50,850,479	(7,810,861)
Other	49,260,848	42,253,695	(7,007,153)
	<u>107,922,188</u>	<u>93,104,174</u>	<u>(14,818,014)</u>
Operating Income (Loss)	(3,561,455)	(2,555,610)	(1,005,845)
Nonoperating Revenues (Expenses), Net	7,902,349	3,572,992	4,329,357
Capital Contributions	<u>62,500</u>	<u>-</u>	<u>62,500</u>
Change in Net Position	<u>\$ 4,403,394</u>	<u>\$ 1,017,382</u>	<u>\$ 3,386,012</u>

Notes to Schedule

1. Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.
2. Appropriations are adopted by resolutions in total.
3. Management believes that the Hospital is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).



Independent Auditor's 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*

The Board of Directors
Delta County Memorial Hospital
d/b/a Delta Health
Delta, Colorado

We have audited, in accordance with 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 Delta County Memorial Hospital d/b/a Delta Health (Hospital) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated May 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delta County Memorial Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiencies described in the accompanying Schedule of Findings as 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Hospital's Response to Findings

Delta County Memorial Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Delta County Memorial Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fargo, North Dakota
May 29, 2024

2023-001 Preparation of Financial Statements
Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control should provide for the preparation of the financial statements and related footnotes that are materially correct in accordance with generally accepted accounting principles.

Condition – The Hospital does not have an internal control system designed to provide for the preparation of the financial statements and related footnotes being audited in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – This deficiency is partially due to the limited resources in the financial reporting process due to budgetary constraints.

Effect – Inadequate controls over financial reporting could result in the Hospital not being able to draft financial statements and accompanying footnotes that are materially correct without the assistance of the auditors.

Recommendation – This circumstance is not unusual in small organizations. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees with the finding.

2023-002 Significant Audit Adjustments
Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries significant to the financial statements.

Condition – During the course of our engagement, we proposed significant audit adjustments to the financial statements that were not identified by management.

Cause – We proposed significant audit adjustments to the Hospital's patient receivables and estimated third-party payor settlement accounts. We also proposed adjustments related to the implementation of GASB 96, Subscription-Based Information Technology Arrangements. The need for these adjustments may indicate that the Hospital's interim financial statements may be misstated, which could affect management's decisions throughout the year.

Effect – The deficiency resulted in significant misstatements to the financial statements that were not prevented, or detected and corrected, by internal personnel in a timely manner.

Recommendation – We recommend that management reflect all entries in the financial statements to ensure that the Board of Directors has all relevant information.

Views of Responsible Officials – Management agrees with the finding.

**2023-003 Limited Segregation of Duties
 Significant Deficiency in Internal Control over Financial Reporting**

Criteria – A good system of internal accounting control contemplates an adequate of segregation of duties so that no one individual handles a transaction from inception to completion.

Condition – The Hospital has a lack of segregation of duties in certain areas due to a limited staff.

Cause – The Hospital’s size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures.

Effect – Inadequate segregation of duties could adversely affect the Hospital’s ability to detect and correct misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – This circumstance is not unusual in smaller organizations. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees with the finding.