

Prowers County Hospital District doing business as Prowers Medical Center

**Basic Financial Statements and
Independent Auditors' Report**

December 31, 2023 and 2022



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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Prowers County Hospital District doing business as Prowers Medical Center (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

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

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

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

D3A PLLC

Spokane Valley, Washington
July 12, 2024

Prowers County Hospital District
doing business as Prowers Medical Center
Statements of Net Position
December 31, 2023 and 2022

ASSETS	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 17,940,754	\$ 19,649,665
Receivables:		
Patient accounts	3,807,014	3,098,244
Estimated third-party payor settlements	3,508,000	3,119,000
Taxes	398,998	426,195
Stop loss receivable	128,325	-
Other	198,674	182,585
Inventories	1,068,936	860,181
Prepaid expenses	920,598	812,736
Total current assets	27,971,299	28,148,606
<i>Noncurrent assets</i>		
Capital assets, net	20,603,267	21,380,917
Total assets	\$ 48,574,566	\$ 49,529,523

See accompanying notes to basic financial statements.

Prowers County Hospital District
doing business as Prowers Medical Center
Statements of Net Position (Continued)
December 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
<i>Current liabilities</i>		
Accounts payable	\$ 2,020,010	\$ 1,583,526
Accrued compensation and related liabilities	1,230,220	1,106,735
Current maturities of leases and other noncurrent liabilities	111,506	56,546
Total current liabilities	3,361,736	2,746,807
<i>Noncurrent liabilities</i>		
Leases and other noncurrent liabilities, net of current maturities	209,138	90,290
Total liabilities	3,570,874	2,837,097
<i>Deferred inflows of resources, taxes</i>	398,998	414,801
<i>Net position</i>		
Net investment in capital assets	20,282,623	21,234,081
Unrestricted	24,322,071	25,043,544
Total net position	44,604,694	46,277,625
Total liabilities, deferred inflows of resources, and net position	\$ 48,574,566	\$ 49,529,523

See accompanying notes to basic financial statements.

Prowers County Hospital District
doing business as Prowers Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 43,263,973	\$ 37,687,947
Other	136,115	195,042
Total operating revenues	43,400,088	37,882,989
<i>Operating expenses</i>		
Salaries and wages	14,049,788	12,922,042
Employee benefits	3,562,231	2,728,908
Professional fees and other purchased services	16,150,218	11,763,189
Supplies	7,542,474	5,980,341
Utilities	505,155	494,405
Depreciation and amortization	2,463,056	2,387,374
Insurance	398,129	381,966
Leases and rentals	83,214	83,995
Repairs and maintenance	142,887	117,242
Provider fees	957,170	902,268
Other	603,087	690,772
Total operating expenses	46,457,409	38,452,502
<i>Operating loss</i>	(3,057,321)	(569,513)
<i>Nonoperating revenues (expenses)</i>		
Contributions	-	10,000
Property taxes	472,024	482,698
Investment income	970,816	320,236
Interest expense	(11,357)	(7,974)
CARES Act Provider Relief Fund	-	125,000
Loss on disposal of assets	(49,745)	-
Total nonoperating revenues, net	1,381,738	929,960
Excess of revenues over (under) expenses before capital grants and contributions	(1,675,583)	360,447
<i>Capital grants and contributions</i>	2,652	576
Change in net position	(1,672,931)	361,023
Net position, beginning of year	46,277,625	45,916,602
Net position, end of year	\$ 44,604,694	\$ 46,277,625

See accompanying notes to basic financial statements.

Prowers County Hospital District
doing business as Prowers Medical Center
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 42,166,203	\$ 36,789,722
Other receipts	136,115	195,042
Payments to and on behalf of employees	(17,616,859)	(15,712,186)
Payments to suppliers and contractors	(26,278,556)	(19,237,155)
Net cash from operating activities	(1,593,097)	2,035,423
<i>Cash flows from noncapital financing activities</i>		
Proceeds from contributions	-	10,000
Property taxes	483,418	471,304
Net cash from noncapital financing activities	483,418	481,304
<i>Cash flows from capital and related financing activities</i>		
Proceeds from capital grants and contributions	2,652	576
Principal paid on leases and other noncurrent liabilities	(108,417)	(54,630)
Interest paid on lease liabilities	(11,357)	(7,974)
Purchase of capital assets	(1,452,926)	(1,652,648)
Net cash from capital and related financing activities	(1,570,048)	(1,714,676)
<i>Cash flows from investing activities</i>		
Investment income	970,816	320,236
Change in cash and cash equivalents	(1,708,911)	1,122,287
Cash and cash equivalents, beginning of year	19,649,665	18,527,378
Cash and cash equivalents, end of year	\$ 17,940,754	\$ 19,649,665

See accompanying notes to basic financial statements.

Prowers County Hospital District
doing business as Prowers Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i>		
Operating loss	\$ (3,057,321)	\$ (569,513)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	2,463,056	2,387,374
Provision for bad debts	1,639,204	1,317,548
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(2,347,974)	(1,050,773)
Estimated third-party payor settlements	(389,000)	(1,165,000)
Stop loss receivable	(128,325)	1,484
Other	(16,089)	478,375
Inventories	(208,755)	190,826
Prepaid expenses	(107,862)	121,711
Increase (decrease) in liabilities:		
Accounts payable	436,484	386,111
Accrued compensation and related liabilities	123,485	(62,720)
Net cash from operating activities	\$ (1,593,097)	\$ 2,035,423

Noncash capital financing activities

During the year ended December 31, 2023, the District recorded \$181,723 of subscription assets and \$128,923 of subscription liabilities from the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

The District recorded \$153,302 and \$201,466 of right-of-use assets and lease liabilities in 2023 and 2022, respectively.

See accompanying notes to basic financial statements.

**Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements
Years Ended December 31, 2023 and 2022**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

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

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

The District has no significant component units.

b. Summary of Significant Accounting Policies

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

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

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

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

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

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of the District’s capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The District had no restricted net position as of December 31, 2023 or 2022. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and contributions – From time to time, the District receives federal and state grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects, or purposes related to the District’s operating activities, are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Change in accounting principles – In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use (ROU) subscription asset — an intangible asset — and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA.

When the District adopted GASB No. 96, *Subscription-Based Information Technology Arrangements*, the District elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. Adoption of the standard required the District to recognize \$181,723 of subscription assets and \$128,923 of subscription liabilities as of January 1, 2023. The adoption had no material impact on the statement of revenues, expenses, and changes in net position.

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events have been reviewed through July 12, 2024, the date on which the financial statements were available to be issued.

2. Bank Deposits:

Under Colorado State Statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts in the event that the bank holding the public deposits becomes insolvent. As defined by the PDPA, deposit accounts include checking, savings, bank money market, and certificates of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

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

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

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

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients did not significantly change. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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

	2023	2022
Receivable from patients and their insurance carriers	\$ 3,583,442	\$ 2,794,363
Receivable from Medicare	1,517,708	1,529,010
Receivable from Medicaid	548,324	279,951
Total patient accounts receivable	5,649,474	4,603,324
Less allowance for uncollectible accounts	1,842,461	1,505,080
Patient accounts receivable, net	\$ 3,807,014	\$ 3,098,244

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Property Taxes:

The Prowers County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Property taxes are levied and assessed in December on property values assessed as of January 1 of the prior year.

Taxes are due in two equal amounts by February 28 and June 15, or in one installment by April 30. The assessed property is subject to lien on the levy date. Property taxes are levied by the District and collected by the Prowers County Treasurer. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. No allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2023 and 2022, for taxes levied for 2023 and 2022, respectively.

For 2023, the District's regular tax levy was \$2.723 per \$1,000 on a total assessed valuation of \$150,885,817, for a total regular levy of \$410,862. For 2022, the District's regular tax levy was \$2.723 per \$1,000 on a total assessed valuation of \$151,271,270, for a total regular levy of \$411,912.

5. Capital, Lease, and Subscription ROU Assets:

The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life greater than three years. Such assets, other than lease assets and subscription assets, are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Lease assets and subscription assets are stated at the present value of the future payments under the agreement plus any payments made at or before the start of the contract and costs to place the asset in service.

Lease assets and subscription assets are amortized on the straight-line method over the shorter period of the lease or subscription term or the estimated useful life of the assets. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Association's published tables and management's estimate by the straight-line method using these asset lives:

Useful lives have been estimated as follows:

Land improvements	5 to 40 years
Buildings and improvements	5 to 40 years
Equipment	3 to 30 years
Lease and subscription ROU assets	3 to 6 years

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Capital, Lease, and Subscription ROU Assets (continued):

Capital, lease, and subscription ROU assets activity and balances were as follows:

	Balance				Balance
	December 31,				December 31,
	2022	Additions	Retirements	Transfers	2023
<i>Capital assets not being depreciated</i>					
Land	\$ 52,827	\$ -	\$ -	\$ -	\$ 52,827
Construction in progress	984,298	1,400,126	(49,745)	(1,768,271)	566,408
Total capital assets not being depreciated	1,037,125	1,400,126	(49,745)	(1,768,271)	619,235
<i>Capital assets being depreciated or amortized</i>					
Land improvements	778,628	-	-	35,659	814,287
Buildings and improvements	22,417,943	-	-	126,451	22,544,394
Equipment	21,690,265	-	-	1,606,161	23,296,426
Lease and subscription right-of-use equipment	201,466	335,025	-	-	536,491
Total capital assets being depreciated or amortized	45,088,302	335,025	-	1,768,271	47,191,598
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	(424,857)	(53,114)	-	-	(477,971)
Buildings and improvements	(10,015,907)	(922,959)	-	-	(10,938,866)
Equipment	(14,246,184)	(1,385,700)	-	-	(15,631,884)
Lease and subscription right-of-use equipment	(57,562)	(101,283)	-	-	(158,845)
Total accumulated depreciation and amortization	(24,744,510)	(2,463,056)	-	-	(27,207,566)
<i>Total capital assets being depreciated or amortized, net</i>	20,343,792	(2,128,031)	-	1,768,271	19,984,032
Capital assets, net	\$ 21,380,917	\$ (727,905)	\$ (49,745)	\$ -	\$ 20,603,267

Significant construction in progress at December 31, 2023, consisted of the following:

- Master site plan project – This project is in the preliminary stages with no known cost to complete or time at which the project will be completed.
- Surgery department sterile processing project – This project is expected to be completed in December 2024 with estimated costs to complete of approximately \$2,500,000, funded by the District’s cash reserves.

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Capital, Lease, and Subscription ROU Assets (continued):

	Balance				Balance
	December 31,				December 31,
	2021	Additions	Retirements	Transfers	2022
<i>Capital assets not being depreciated</i>					
Land	\$ 52,827	\$ -	\$ -	\$ -	\$ 52,827
Construction in progress	359,793	706,952	-	(82,447)	984,298
Total capital assets not being depreciated	412,620	706,952	-	(82,447)	1,037,125
<i>Capital assets being depreciated</i>					
Land improvements	595,008	34,595	-	149,025	778,628
Buildings and improvements	21,989,109	437,205	-	(8,371)	22,417,943
Equipment	21,274,576	473,896	-	(58,207)	21,690,265
Lease right-of-use equipment	-	201,466	-	-	201,466
Total capital assets being depreciated	43,858,693	1,147,162	-	82,447	45,088,302
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	(350,318)	(74,539)	-	-	(424,857)
Buildings and improvements	(9,124,026)	(891,881)	-	-	(10,015,907)
Equipment	(12,882,792)	(1,363,392)	-	-	(14,246,184)
Lease right-of-use equipment	-	(57,562)	-	-	(57,562)
Total accumulated depreciation and amortization	(22,357,136)	(2,387,374)	-	-	(24,744,510)
<i>Total capital assets being depreciated or amortized, net</i>	21,501,557	(1,240,212)	-	82,447	20,343,792
Capital assets, net	\$ 21,914,177	\$ (533,260)	\$ -	\$ -	\$ 21,380,917

6. Employee Health Self-insurance:

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

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

	2023	2022
Claim liability, beginning of year	\$ 233,133	\$ 273,408
Current year claims and changes in estimates	2,011,833	1,323,155
Claim payments	(1,965,841)	(1,363,430)
Claim liability, end of year	\$ 279,125	\$ 233,133

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Lease and Subscription Liabilities:

A schedule of changes in the District’s lease and subscription liabilities follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Lease and subscription liabilities	\$ 146,836	\$ 282,225	\$ (108,417)	\$ 320,644	\$ 111,506

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Lease liability	\$ -	\$ 201,466	\$ (54,630)	\$ 146,836	\$ 56,546

Lease and subscription liabilities – The terms and due dates of the District’s lease liabilities are as follows:

- Lease liability payable to Carefusion Solutions, LLC., for a pharmaceutical system in the amount of \$201,466, due in monthly installments of \$5,217, including interest at 5.00 percent, through June 2025.
- Lease liability payable to Gobin’s Business Solutions Inc., for printers in the amount of \$153,302, due in monthly installments of \$2,881, including interest at 5.00 percent, through February 2028.
- Subscription liability payable to 3M Health Information Systems, Inc., for dictation software in the amount of \$128,923, due in yearly installments of \$28,360, through July 2027.

The District’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Scheduled principal and interest repayments on the District’s lease and subscription liabilities are as follows:

Years Ending December 31,	Lease and Subscription Liabilities	
	Principal	Interest
2024	\$ 111,506	\$ 14,030
2025	85,554	8,680
2026	57,473	5,459
2027	60,385	2,547
2028	5,726	36
	\$ 320,644	\$ 30,752

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts have not changed significantly from the prior year.

The District has not changed its charity care or uninsured discount policies during 2023 or 2022. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, follows:

	2023	2022
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 16,309,277	\$ 13,772,218
Medicaid	6,995,742	6,368,900
Other third-party payors	12,240,634	9,129,959
Patients	1,880,354	1,760,742
Supplemental payments	8,569,949	8,449,848
	45,995,956	39,481,667
Less:		
Charity care	1,092,779	476,172
Provision for bad debts	1,639,204	1,317,548
Net patient service revenue	\$ 43,263,973	\$ 37,687,947

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

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

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

8. Net Patient Service Revenue (continued):

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

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$181,000 in 2023, and decreased approximately \$45,000 in 2022, due to differences between the original estimates and revised estimates or final settlements.

Medicaid rural health clinic rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing by adjusting the rate to the higher of the prospectively determined rate or the cost per encounter as determined by the District's annual Medicare cost reports. The District had estimated receivables for rate reconciliations of approximately \$423,000 and \$490,000 for the years ended December 31, 2023 and 2022, respectively.

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

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended 2023 and 2022 were approximately \$771,000 and \$330,000, respectively.

9. Defined Contribution Plan:

The District offers the Prowers Medical Center Employees' Pension Plan, a 401(a) plan (the Plan) to all employees who have completed one year of service and have reached the age of 21. In the first year of employment, employees may choose to make pre-tax contributions as a percentage of their gross pay, up to 6 percent. After one year of service, the District will match half of the employees' voluntary contributions up to 6 percent. Employees are permitted to make contributions up to the applicable Internal Revenue Code limits. Employee contributions to the Plan during the years ended December 31, 2023 and 2022, were approximately \$794,000 and \$689,000, respectively. The District made matching contributions to the Plan of approximately \$284,000 and \$224,000 for the years ended December 31, 2023 and 2022, respectively.

The District had no liability to the Plan at December 31, 2023. Participants are fully vested in their contributions. District contributions are vested at 20 percent after one year of service with gradual increases until vesting reaches 100 percent after five years of service. A participant will also become 100 percent vested immediately upon early retirement, attainment of normal retirement age, or death. Nonvested accounts are forfeited to the Plan and can be used to reduce future employer contributions. The District has the authority to amend the Plan.

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

10. Commitments:

The District entered into a management contract with Ovation Healthcare (Ovation) on May 23, 2008, for the management, administration, and operation of the District. The agreement calls for the District to pay Ovation an annual base fee, with a provision for annual increases based on the changes in the Consumer Price Index and pass-through salaries and benefit costs for management. The term of the agreement extends through March 31, 2027. The District's estimated future commitment to Ovation for management fees and executive salaries is approximately \$2,645,000.

Total payments to Ovation under the management contract during the years ended December 31, 2023 and 2022, were approximately \$754,000 and \$724,000, respectively.

The District entered into an agreement with Western Healthcare effective October 1, 2023 for management and provider staffing of the emergency room department. As of December 31, 2023, there is a noncancellable 15-month term remaining. The District's noncancellable commitment to Western Healthcare for fees is approximately \$2,690,000.

11. Contingencies:

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

The District also holds an excess coverage policy with Professional Security Insurance Company. The excess coverage policy provides coverage with an annual aggregate limit of \$5,000,000. The policy has no deductible.

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

11. Contingencies (continued):

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Taxpayer’s Bill of Rights – Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

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

12. Concentration of Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The mix of receivables from patients was as follows:

	2023	2022
Medicare	30 %	35 %
Medicaid	20	15
Other third-party payors	30	27
Patients	20	23
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

Prowers County Hospital District
doing business as Prowers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

13. CARES Act Employee Retention Credit:

The District is eligible for the CARES Act Employee Retention Credit (ERC). The District applied for the ERC in July 2024 in the amount of \$2,585,393, by amending its Form 941 Employer Quarterly Federal Tax Return for the first two quarters of 2021. The District used a consultant to assist them with the filing and claiming of the ERC. The timing of payment for the ERC is to be determined. The ERC was not recorded for fiscal year 2023.

14. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by \$5,183,446 in 2023.

SUPPLEMENTAL INFORMATION

Prowers County Hospital District
doing business as Prowers Medical Center
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2023

	Original and Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 40,268,315	\$ 43,263,973	\$ 2,995,658
Other	159,070	136,115	(22,955)
Total operating revenues	40,427,385	43,400,088	2,972,703
<i>Operating expenses</i>			
Salaries, wages, and employee benefits	17,760,284	17,612,019	148,265
Professional fees and other purchased services	12,539,242	16,150,218	(3,610,976)
Supplies	5,719,555	7,542,474	(1,822,919)
Depreciation and amortization	2,493,416	2,463,056	30,360
Provider fees	942,554	957,170	(14,616)
Other	1,818,912	1,732,472	86,440
Total operating expenses	41,273,963	46,457,409	(5,183,446)
<i>Operating loss</i>	(846,578)	(3,057,321)	(2,210,743)
<i>Nonoperating revenues (expenses)</i>			
Property taxes	476,000	472,024	(3,976)
Interest expense	-	(11,357)	(11,357)
Investment income	420,965	970,816	549,851
Loss on disposal of assets	-	(49,745)	(49,745)
Total nonoperating revenues, net	896,965	1,381,738	484,773
Excess of revenues over expenses before capital grants and contributions	50,387	(1,675,583)	(1,725,970)
<i>Capital grants and contributions</i>	-	2,652	2,652
Change in net position	\$ 50,387	\$ (1,672,931)	\$ (1,723,318)

See accompanying independent auditors' report.