



Financial Statements  
December 31, 2023 and 2022  
**Yuma District Hospital**

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## Independent Auditor's Report

The Board of Directors  
Yuma District Hospital  
Yuma, Colorado

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Yuma District Hospital (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 the 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.

#### ***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 the 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 the 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's 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 GAAS, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 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 the 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 the Hospital's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
April 29, 2024

## Introduction

Management's discussion and analysis for Yuma District 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. Please read it in conjunction with the Hospital's financial statements, which begin on page 10.

## Financial Highlights

- The Hospital's net position decreased in the fiscal year ended December 31, 2023 from \$7,118,596 to \$5,361,390. This is a decrease of \$1,757,206 or 25%. In the prior fiscal year ending December 31, 2022, net position decreased from \$8,377,407 to \$7,118,596, a decrease of \$1,258,811 or 15%.
- Operating revenue decreased by \$222,843 during the year ended December 31, 2023 as patient service revenue decreased \$287,578 and other operating revenue increased \$64,735. During 2023, operating expenses increased by \$972,915 with the most significant changes in operating expenses being an increase in salaries and wages of \$469,156 and purchased services of \$465,734. Operating revenue increased by \$1,536,122 and operating expenses increased by \$1,603,596 during the fiscal year ending December 31, 2022. During 2022, patient service revenue increased \$1,742,448 and other operating revenue decreased \$206,326. The most significant changes in operating expenses during 2022 were an increase in purchased services of \$888,581, increase in supplies of \$382,444, and an increase in other expenses of \$126,490.
- There were operating losses for the fiscal years ending December 31, 2023, 2022, and 2021 of \$2,660,888, \$1,465,130, and \$1,397,656.
- Total cash and cash equivalents, short-term investments, and internally designated investments decreased from \$12,852,930 in 2022 to \$10,312,532 in 2023. This is a decrease of \$2,540,398 or 20%. Total cash and cash equivalents, short-term investments, and internally designated investments decreased in 2022 from \$17,370,263 to \$12,852,930. This is a decrease of \$4,517,333 or 26%.
- Due to the COVID-19 pandemic, the Hospital received money from various sources including Provider Relief Funds, CMS advanced payments, and Paycheck Protection Program (PPP) loan. During the year ending December 31, 2021, the Hospital received \$686,495 in Provider Relief Funds, repaid \$1,504,385 related to the CMS advanced payments; and received loan forgiveness of \$1,803,590 from the Paycheck Protection Program (PPP) loan. During the year ending December 31, 2022, the Hospital repaid \$2,692,530 related to the CMS advanced payments. There were no pandemic monies received or repaid during the year ending December 31, 2023.

## 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 financial statements and related notes provide information about the activities of the Hospital including resources held by the Hospital but restricted for specific purposes by lenders, contributors, grantors, or enabling legislation.

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

One of the most important questions asked about the Hospital's finances is, "Is the Hospital, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the 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, deferred outflows of resources, 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 is an indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, 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. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and 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 balance during the reporting period?"

Cash and cash equivalents decreased from \$4,121,482 to \$3,617,403. This decrease of \$504,079 is primarily due to the purchase of capital assets. Cash and cash equivalents decreased in 2022 from \$8,543,147 to \$4,121,482. This decrease of \$4,421,665 is primarily due to the repayment of the CMS advanced payments and an increase in the payments to suppliers for goods and services. Cash and cash equivalents decreased in 2021 from \$9,165,207 to \$8,543,147. This decrease of \$622,060 is primarily due to the repayment of the CMS advanced payments.

### **The Hospital's Net Position**

The Hospital's net position is the difference between its assets, liabilities, and deferred inflows of resources reported in the Statements of Net Position on pages 10 and 11. The Hospital's net position decreased in the current fiscal year ending December 31, 2023 from \$7,118,596 to \$5,361,390. This is a decrease of \$1,757,206 or 25%. In the prior fiscal year ending December 31, 2022, net position decreased from \$8,377,407 to \$7,118,596. This is a decrease of \$1,258,811 or 15%. For the year ending December 31, 2021, net position increased from \$5,413,902 to \$8,377,407, an increase of \$2,963,505 or 55%.

Table 1: Assets, Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022 (restated)	2021
<b>Assets</b>			
Current assets	\$ 6,895,013	\$ 9,050,707	\$ 12,854,235
Capital assets, net	10,744,847	10,793,172	10,349,213
Other noncurrent assets	10,824,187	10,450,182	10,770,618
Total assets	<u>\$ 28,464,047</u>	<u>\$ 30,294,061</u>	<u>\$ 33,974,066</u>
<b>Liabilities</b>			
Current liabilities	\$ 4,573,406	\$ 3,674,421	\$ 6,195,181
Long-term liabilities	17,615,405	18,650,656	18,585,654
Deferred inflows	913,846	850,388	815,824
Total liabilities and deferred inflows	<u>23,102,657</u>	<u>23,175,465</u>	<u>25,596,659</u>
<b>Net Position</b>			
Net investment in capital assets	(7,298,993)	(7,535,458)	(7,607,733)
Restricted - expendable for debt service and capital asset replacement	742,296	661,862	639,643
Unrestricted	11,918,087	13,992,192	15,345,497
Total net position	<u>5,361,390</u>	<u>7,118,596</u>	<u>8,377,407</u>
Total liabilities, deferred inflows, and net position	<u>\$ 28,464,047</u>	<u>\$ 30,294,061</u>	<u>\$ 33,974,066</u>

### Operating Loss

The first component of the overall change in the Hospital's net position is its operating loss – generally, the difference between patient service revenue and the expenses incurred to perform those services. There were operating losses for the Hospital in fiscal years ending December 31, 2023, 2022, and 2021 of \$2,660,888, \$1,465,130, and \$1,397,656.

### Operating Revenues

There were significant changes in three individual revenue categories during 2023 when compared to 2022:

- Hospital inpatient gross revenue decreased by \$1,887,184, hospital outpatient gross revenue increased by \$1,834,904, and clinic gross revenue increased \$235,970 for an overall decrease of gross patient service revenue of \$199,684. Charity care increased \$64,579 from 2022 to 2023.
- Overall, the contractual adjustments increased from \$11,441,129 in 2022 to \$11,782,647 in 2023. The Medicare hospital contractual adjustments decreased \$47,599, Medicaid hospital contractals decreased \$74,434, other hospital contractals decreased \$24,809, and clinic contractals increased \$488,360. During 2023, contractual adjustments decreased by \$53,600 due to change in estimates for reserves on Medicare, Medicaid, and DSH settlements.
- Provision for bad debts increased by \$65,171 from 2022 to 2023.

The significant changes in revenue categories during 2022 when compared to 2021 were:

- Hospital inpatient gross revenue decreased by \$733,999, hospital outpatient gross revenue increased by \$635,003, and clinic gross revenue decreased \$48,408 for an overall decrease of gross patient service revenue of \$147,404. Charity care decreased \$9,598 from 2021 to 2022.
- Overall, the contractual adjustments decreased from \$12,591,306 in 2021 to \$11,441,129 in 2022. The Medicare hospital contractual adjustments decreased \$209,241, Medicaid hospital contractals decreased \$374,040, other hospital contractals increased \$540,469, and clinic contractals decreased \$26,427. During 2022, contractual adjustments decreased by \$210,000 due to change in estimates for reserves on Medicare, Medicaid, and DSH settlements.
- Provision for bad debts decreased by \$730,077 from 2021 to 2022.

### **Operating Expenses**

There were significant changes in two individual expense categories during 2023 when compared to 2022:

- Salaries and wages increased \$469,156 due to salary increases given during the year to retain and attract employees.
- Purchased services increased \$465,734 due to an increased need relating to Yuma Clinic and the emergency department.

The significant changes in two individual expense categories during 2022 when compared to 2021 were:

- Purchased services increased \$888,581 due to an increased need relating to Home Health, laboratory, acute care, and surgery services.
- Supplies increased \$382,444 due to more supplies utilized for chemotherapy drugs.

The following table is a summary of the Hospital's revenues, expenses, and changes in net position:

Table 2: Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u> (restated)	<u>2021</u>
Operating Revenue			
Net patient service revenue	\$ 21,540,240	\$ 21,827,818	\$ 20,085,370
Other operating revenue	566,408	501,673	707,999
Total operating revenue	<u>22,106,648</u>	<u>22,329,491</u>	<u>20,793,369</u>
Operating Expenses	<u>24,767,536</u>	<u>23,794,621</u>	<u>22,191,025</u>
Operating Loss	(2,660,888)	(1,465,130)	(1,397,656)
Nonoperating Revenues	<u>903,682</u>	<u>206,319</u>	<u>3,555,899</u>
Revenues in Excess of (Less Than) Expenses Before Capital Grants	(1,757,206)	(1,258,811)	2,158,243
Capital Grants	<u>-</u>	<u>-</u>	<u>805,262</u>
Change in Net Position	(1,757,206)	(1,258,811)	2,963,505
Net Position, Beginning of Year	<u>7,118,596</u>	<u>8,377,407</u>	<u>5,413,902</u>
Net Position, End of Year	<u>\$ 5,361,390</u>	<u>\$ 7,118,596</u>	<u>\$ 8,377,407</u>

### Summary

The Hospital experienced a decrease in patient days in 2023 when compared to the 2022 fiscal year. In 2022, the Hospital had 467 patient days compared to 259 patient days in 2023, a decrease of 208 or 44%. Swing bed days decreased from 282 in 2022 to 151 in 2023, a decrease of 131 days or 46%. The following factors had a major impact on hospital revenues: 1) general price increase of approximately 3% and 2) changes in volumes as noted above.

In the fiscal year ending December 31, 2022, the Hospital experienced a decrease in patient days when compared to the fiscal year ended December 31, 2021. The Hospital had 587 patient days in 2021 compared to the 467 patient days in 2022, a decrease of 120 or 20%. Swing bed days increased from 207 in 2021 to 282 in 2022, an increase of 75 days or 36%. The following factors had a major impact on hospital revenues: 1) general price increase of approximately 3% and 2) increase in swing bed days as noted above.

The Hospital experienced an increase in nonoperating revenues in 2023 when compared to the 2022 fiscal year. The increase in 2023 primarily relates to the investment income compared to an investment loss in 2022. The Hospital experienced a decrease in nonoperating revenues in 2022 when compared to the 2021 fiscal year. In 2021, the Hospital recognized \$1,358,000 in Provider Relief Funds and \$1,830,795 in Paycheck Protection Program loan forgiveness income compared to \$0 Provider Relief Funds and Paycheck Protection Program loan forgiveness income in 2022.

**Contacting the Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Yuma District Hospital, 1000 West 8th Avenue, Yuma, Colorado, 80759, phone number 970-848-5405.

Yuma District Hospital  
Statements of Net Position – Assets  
December 31, 2023 and 2022

	2023	2022 (restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,402,787	\$ 2,065,213
Current portion of cash held by trustee for debt service	172,939	103,657
Short-term investments	-	2,240,825
Receivables		
Patient, net of estimated uncollectibles of \$690,000 in 2023 and \$430,000 in 2022	3,117,171	3,061,282
Estimated third-party payor settlements	646,000	166,976
Ad valorem taxes	913,846	850,388
Other	40,704	18,024
Supplies	490,795	449,032
Prepaid expenses	110,771	95,310
Total current assets	6,895,013	9,050,707
Noncurrent Cash and Investments		
Internally designated by Board	8,909,745	8,546,892
Restricted by trustee for debt reserve and capital asset replacement	1,914,442	1,903,290
Total noncurrent cash and investments	10,824,187	10,450,182
Capital Assets		
Capital assets not being depreciated	1,306,432	1,222,600
Capital assets being depreciated, net	8,434,882	8,388,407
Right to use subscription IT assets, net of accumulated amortization	920,070	1,073,415
Right to use leased assets, net of accumulated amortization	83,463	108,750
Total capital assets	10,744,847	10,793,172
Total assets	\$ 28,464,047	\$ 30,294,061

Yuma District Hospital  
 Statements of Net Position – Liabilities, Deferred Inflows of Resources and Net Position  
 December 31, 2023 and 2022

	2023	2022 (restated)
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 1,474,858	\$ 741,166
Current maturities of subscription IT liabilities	275,702	261,045
Current maturities of leases	22,960	20,848
Accounts payable		
Trade	882,427	879,053
Accrued expenses		
Salaries and wages	298,649	261,157
Earned time days	987,812	946,890
Health insurance	230,459	230,459
Interest	168,994	171,248
Payroll taxes and other	231,545	162,555
Total current liabilities	4,573,406	3,674,421
Long-Term Liabilities		
Long-term debt, less current maturities	17,108,828	17,844,488
Subscription IT liabilities, less current maturities	442,845	718,547
Leases, less current maturities	63,732	87,621
Total long-term liabilities	17,615,405	18,650,656
Total liabilities	22,188,811	22,325,077
Deferred Inflow of Resources - Ad Valorem Taxes	913,846	850,388
Net Position		
Net investment in capital assets	(7,298,993)	(7,535,458)
Restricted - expendable held by trustee for debt service and capital asset replacement	742,296	661,862
Unrestricted	11,918,087	13,992,192
Total net position	5,361,390	7,118,596
Total liabilities, deferred inflows of resources, and net position	\$ 28,464,047	\$ 30,294,061

Yuma District Hospital  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$839,205 in 2023 and \$774,034 in 2022	\$ 21,540,240	\$ 21,827,818
Other revenue	566,408	501,673
Total operating revenues	22,106,648	22,329,491
Operating Expenses		
Salaries and wages	10,307,975	9,838,819
Employee benefits	2,609,391	2,551,709
Purchased services	5,189,737	4,724,003
Supplies	2,378,869	2,285,895
Depreciation and amortization	1,102,479	1,050,171
Other	3,179,085	3,344,024
Total operating expenses	24,767,536	23,794,621
Operating Loss	(2,660,888)	(1,465,130)
Nonoperating Revenues (Expenses)		
Ad valorem taxes	909,616	879,413
Interest expense	(1,074,620)	(1,112,190)
Unrestricted gifts and bequests	649,170	737,361
Investment income (loss)	419,516	(298,265)
Total nonoperating revenue, net	903,682	206,319
Expenses in Excess of Revenues and Change in Net Position	(1,757,206)	(1,258,811)
Net Position, Beginning of Year	7,118,596	8,377,407
Net Position, End of Year	\$ 5,361,390	\$ 7,118,596

Yuma District Hospital  
Statements of Cash Flows – page 1  
Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
Operating Activities		
Receipts from and on behalf of patients	\$ 20,982,647	\$ 21,137,719
Payments for employees' services and benefits	(12,769,962)	(12,332,553)
Payments to suppliers for goods and services	(10,801,541)	(10,190,997)
Other receipts and payments, net	566,408	501,673
Net Cash Used For Operating Activities	(2,022,448)	(884,158)
Noncapital Financing Activities		
Ad valorem taxes received	909,616	879,279
Unrestricted gifts and bequests	649,170	737,361
CMS advanced payments received (recouped)	-	(2,692,530)
Net Cash From (Used For) Noncapital Financing Activities	1,558,786	(1,075,890)
Capital and Capital Related Financing Activities		
Purchase of capital assets	(1,054,154)	(157,720)
Repayment of long-term debt	(752,813)	(716,377)
Proceeds from long-term debt	750,845	-
Interest paid on long-term debt obligations	(1,023,171)	(1,051,790)
Principal payments on subscription IT liabilities	(261,045)	(247,168)
Interest paid on subscription IT liabilities	(48,555)	(62,432)
Principal payments on leases	(21,777)	(1,181)
Interest paid on leases	(5,148)	(133)
Net Cash Used For Capital and Capital Related Financing Activities	(2,415,818)	(2,236,801)
Investing Activities		
Purchases of investments internally designated	-	75,063
Sales of investments internally designated	(284,940)	-
Purchase of short term investments	-	(1,614)
Sales of short term investments	2,240,825	-
Investment income (loss)	419,516	(298,265)
Net Cash From (Used For) Investing Activities	2,375,401	(224,816)
Change in Cash and Cash Equivalents	(504,079)	(4,421,665)
Cash and Cash Equivalents, Beginning of Year	4,121,482	8,543,147
Cash and Cash Equivalents, End of Year	\$ 3,617,403	\$ 4,121,482
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	\$ 1,402,787	\$ 2,065,213
Current portion of cash held by trustee for debt service	172,939	103,657
Cash and cash equivalents internally designated for specific operating purposes and capital improvements and restricted by trustee for debt reserve and capital asset replacement in noncurrent cash and investments	2,041,677	1,952,612
Total cash and cash equivalents	\$ 3,617,403	\$ 4,121,482
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Lease liability for the acquisition of a right-of-use leased asset	\$ -	\$ 109,650

Yuma District Hospital  
 Statements of Cash Flows – page 2  
 Years Ended December 31, 2023 and 2022

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	2023	2022 (restated)
Reconciliation of Operating Loss to Net Cash		
Used For Operating Activities		
Operating loss	\$ (2,660,888)	\$ (1,465,130)
Adjustments to reconcile operating loss		
to net cash used for operating activities		
Provision for bad debts	839,205	774,034
Depreciation and amortization	1,102,479	1,050,171
Changes in assets and liabilities		
Receivables	(917,774)	(909,304)
Supplies	(41,763)	(81,459)
Prepaid expenses	(15,461)	47,253
Accounts payable	3,374	197,131
Estimated third-party payor settlements	(479,024)	(554,829)
Accrued expenses	147,404	57,975
	<u>\$ (2,022,448)</u>	<u>\$ (884,158)</u>
Net Cash Used For Operating Activities		

## **Note 1 - Reporting Entity and Significant Accounting Policies**

The financial statements of Yuma District Hospital (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 Entity**

The Hospital is a licensed 15-bed critical access hospital and clinic located in Yuma, Colorado and a clinic in Akron, Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code 501(a). In 1967, Yuma District Hospital was created as a political subdivision of the state of Colorado. The Hospital's five-member board of directors is publicly elected by the citizens of the Yuma Hospital District, a subset of Yuma County, to oversee the operations and management of the Hospital.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered the 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 Hospital has no significant operational or other financial relationships with any other governmental unit that requires inclusion or disclosure in the Hospital's financial statements.

### **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, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following components:

*Net Investment in Capital Assets* consists of net capital assets, right to use leased assets, and right to use subscription IT 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 related to those assets or debt obligations.

### *Restricted Net Position*

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

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

*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 or 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.

### **Short-Term Investments**

Short-term investments include certificates of deposit, recorded at cost plus accrued interest, with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

### **Patient Receivables**

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on 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.

#### **Ad Valorem Tax Receivable and Revenue**

Ad valorem tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The ad valorem tax receivable represents taxes certified by the Board of Directors 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 ad valorem 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 in which it is levied.

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, over which the Board retains control and may at its discretion subsequently use for other purposes and restricted by trustee for debt reserve and capital asset replacement. Deposits are recorded at historical cost. Other investments are measured at fair value. Noncurrent 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 on the straight-line method.

Amortization is included in depreciation in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	10-20 years
Buildings and improvements	5-40 years
Major movable equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from expenses in excess of revenues. 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 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, 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 three years.

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 place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period is three years.

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended December 31, 2023 and 2022.

### **Subscription IT Liabilities**

Subscription IT liabilities represent the Hospital's obligation to make subscription payments arising from the subscription contract. Subscription IT 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.

### **Lease Liabilities**

Lease liabilities represent the Hospital's obligation to make lease payments arising from leases. 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.

### **Compensated Absences**

The Hospital's employees accrue Earned Time Days (ETD) that can be drawn upon for vacation, holidays, and certain other absences. ETDs accrue at varying rates depending on years of service and hours worked. ETDs accumulate up to a specified maximum. Employees are paid for accumulated ETD upon termination.

### **Self-Funded Health Insurance**

The Hospital self-funds health benefits for eligible employees and their dependents. Health insurance expense is recorded on an accrual basis. The Hospital provides for self-insurance reserves for estimated incurred but not yet reported claims for its employees. These reserves, which are included in the liabilities on the statement of net position, are estimated based upon historical submission and payment data, 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 will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are deferred ad valorem taxes. Ad valorem taxes will be recognized as revenue in the year they are levied.

### **Operating Revenues and Expenses**

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the cost of providing those services, including depreciation and excluding interest costs. 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 amount of charges foregone for services provided under the Hospital's charity care policy were approximately \$154,718 and \$90,139 for the years ended December 31, 2023 and 2022. The estimated cost of providing these services was approximately \$117,000 and \$66,000 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.

### **Colorado Healthcare Affordability & Sustainability Enterprise (CHASE) Program**

The Hospital participates in the State of Colorado CHASE 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 \$651,800 and \$700,200 in provider fees for the years ended December 31, 2023 and 2022, which are recorded in other operating expenses. The Hospital's revenue was approximately \$3,478,600 and \$3,084,200 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, private organizations, and from the State of Colorado. 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 are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

### **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, 2022, 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 effect of the implementation of this standard is disclosed in Note 12 and the additional disclosures required by this standard are included in Note 6.

**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 is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under cost reimbursement methodology, with final settlement determined after submission of annual cost reports by the Hospital, which are subject to 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, 2021. The December 31, 2017 cost report was reopened and has not been settled. Certain services are paid on a fixed fee schedule.

*Medicaid* – Inpatient services and outpatient services after November 1, 2016 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. Outpatient services prior to November 1, 2016 related to Medicaid beneficiaries are paid at interim rates based on Medicaid cost-to-charge ratio. Retrospective settlements based on audited cost-to-charge ratios are made periodically. The Hospital’s Medicaid cost reports have been settled by the Medicaid program through 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:

	2023	2022
Medicare	45%	48%
Medicaid	21%	22%
Other Insurance	29%	27%
Private Pay	5%	3%
	100%	100%

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 for the years ended December 31, 2023 and 2022 decreased approximately \$53,600 and \$210,000 due to the 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.

### CMS Advanced Payments

The CMS Advanced Payments balance consists of 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. The Hospital received \$4,196,915 in advanced payments during April 2020, which was recouped through the Medicare claims processed beginning 365 days after the date of issuance of each advanced payment. This recoupment process continued until the balance of the advanced payments was recouped or for 29 months from the date that the advanced payments were issued, at which point any remaining unpaid balance was due. The advanced payments balance is non-interest bearing through the 29-month repayment period. During the year ended December 31, 2022, the Hospital repaid \$2,692,530.

### Note 3 - Deposits, Investments, and Investment Income

The carrying amount of deposits and investments as of December 31, 2023 and 2022 are shown below:

	<u>2023</u>	<u>2022</u>
Carrying Amount		
Deposits	\$ 3,617,403	\$ 6,362,307
Investments	8,782,510	8,497,570
	<u>\$ 12,399,913</u>	<u>\$ 14,859,877</u>

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,402,787	\$ 2,065,213
Current portion of cash held by trustee for debt service	172,939	103,657
Short-term investments	-	2,240,825
Noncurrent cash and investments internally designated by Board	8,909,745	8,546,892
Noncurrent cash held by trustee for debt reserve and capital asset replacement	<u>1,914,442</u>	<u>1,903,290</u>
Carrying value	<u>\$ 12,399,913</u>	<u>\$ 14,859,877</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. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The Hospital's investment policy does not address custodial credit risk.

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, the Hospital's deposits were in banks covered under PDPA, properly collateralized, or were in banks with balances under FDIC limits.

## Investments

The Hospital's investments are reported at fair value. The Hospital is authorized by statute to invest funds in debt securities.

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

Investment Type	Carrying Amount	Rating	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	More Than 10
Federal Home Loan Bank	\$ 85,312	Aaa	\$ -	\$ 85,312	\$ -	\$ -
Federal National Mortgage Association	544,760	N/A	-	10,235	104,405	430,120
Fannie Mae Pool	1,323,560	N/A	-	109,517	890,136	323,907
Federal Home Loan Mortgage Corporation	1,305,677	Aaa-AAA	-	773,263	59,495	472,919
Government National Mortgage Association	695	N/A	-	-	-	695
Freddie Mac Group	747,666	N/A	-	-	747,666	-
Private Export Funding Corporation	966,590	Aaa	-	966,590	-	-
Small Business Administration Group	94,437	N/A	-	-	94,437	-
U.S. Treasury notes	3,713,813	Aaa	-	3,713,813	-	-
<b>Total</b>	<b>\$ 8,782,510</b>		<b>\$ -</b>	<b>\$ 5,658,730</b>	<b>\$ 1,896,139</b>	<b>\$ 1,227,641</b>

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

Investment Type	Carrying Amount	Rating	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	More Than 10
Federal Farm Credit Banks	\$ 310,209	Aaa	\$ -	\$ 310,209	\$ -	\$ -
Federal Home Loan Bank	249,088	Aaa	-	249,088	-	-
Federal National Mortgage Association	648,913	N/A	-	39,248	79,692	529,973
Fannie Mae Pool	1,572,988	N/A	-	242,262	942,412	388,314
Federal Home Loan Mortgage Corporation	1,861,563	Aaa-AAA	-	1,208,095	80,348	573,120
Government National Mortgage Association	294,301	N/A	-	-	273,338	20,963
Freddie Mac Group	373,046	N/A	-	-	373,046	-
Private Export Funding Corporation	945,206	Aaa	-	945,206	-	-
U.S. Treasury notes	2,242,256	Aaa	-	2,242,256	-	-
<b>Total</b>	<b>\$ 8,497,570</b>		<b>\$ -</b>	<b>\$ 5,236,364</b>	<b>\$ 1,748,836</b>	<b>\$ 1,512,370</b>

**Interest Rate Risk**

Colorado statutes limit the investment in corporate or bank debt to maturities of three years from the date of settlement at the time of purchase. In addition, the statutes state that it is lawful to hold investments from certain federal entities with maturity dates of five years or less from the date of purchase unless the governing body of the public entity authorizes investments for a period in excess of five years. The Hospital’s governing body has authorized the extension of the maturity beyond five years. The Hospital’s investment policy does not contain provisions that further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Hospital is in compliance with Colorado statutes.

**Credit Risk**

Colorado statutes limit investments in any corporate or bank debt securities to organizations with a net worth in excess of two hundred fifty million dollars and they must carry at least two credit ratings from the nationally recognized credit rating agencies and must not be rated below “AA- or Aa3” by any credit rating agency. The Hospital’s investment policy states that all investments must be rated in one of its top three highest rating categories by one nationally recognized credit rating agencies.

**Concentration of Credit Risk**

Colorado statutes limit the amount of corporate or bank debt securities to not exceed 30% of the book value of the entity’s total investment portfolio at the time of purchase. The statutes also limit investments in corporate or bank debt securities by any one individual corporation to not exceed 5% of the total investment portfolio at the time of purchase, unless the governing body of the public entity authorizes the investments. The Hospital places no additional limit on the amount it may invest in any one issuer. The Hospital was considered to be in compliance with state statutes and its investment policy at December 31, 2023 and 2022.

More than 5 percent of the Hospital’s investments are invested in the following securities at December 31, 2023 and 2022:

	2023	2022
Federal National Mortgage Association	6%	8%
Federal Home Loan Mortgage Corporation	15%	22%
US Treasury Notes	42%	26%
Fannie Mae Pool	15%	18%
Freddie Mac	9%	4%
Private Export Funding Corporation	11%	11%

**Investment Income**

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

	2023	2022
Interest Income and Realized Gains and Losses	\$ 287,086	\$ 214,076
Change in Unrealized Gains and Losses on Investments	132,430	(512,341)
Net investment income (loss)	\$ 419,516	\$ (298,265)

**Note 4 - Fair Value of Assets**

The Hospital has determined the fair value of certain assets and liabilities 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 or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability 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 prioritized the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities 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 or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability 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 or liability.

The fair value of the investments noted are estimated using a variety of techniques including quoted market prices of similar items, broker/dealer quotes, and models using market interest rates or yield curves and are included in Level 2.

Assets and liabilities measured at fair value on a recurring basis and the related fair values of these assets and liabilities 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 Home Loan Bank	\$ 85,312	\$ -	\$ 85,312	\$ -
Federal National Mortgage Association	544,760	-	544,760	-
Fannie Mae Pool	1,323,560	-	1,323,560	-
Federal Home Loan Mortgage Corporation	1,305,677	-	1,305,677	-
Government National Mortgage Association	695	-	695	-
Freddie Mac Group	747,666	-	747,666	-
Private Export Funding Corp	966,590	-	966,590	-
Small Business Administration Group	94,437	-	94,437	-
U.S. Treasury Notes	3,713,813	-	3,713,813	-
	<u>\$ 8,782,510</u>	<u>\$ -</u>	<u>\$ 8,782,510</u>	<u>\$ -</u>

Assets and liabilities measured at fair value on a recurring basis and the related fair values of these assets and liabilities 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 Farm Credit Banks	\$ 310,209	\$ -	\$ 310,209	\$ -
Federal Home Loan Bank	249,088	-	249,088	-
Federal National Mortgage Association	648,913	-	648,913	-
Fannie Mae Pool	1,572,988	-	1,572,988	-
Federal Home Loan Mortgage Corporation	1,861,563	-	1,861,563	-
Government National Mortgage Association	294,301	-	294,301	-
Freddie Mac Group	373,046	-	373,046	-
Private Export Funding Corp	945,206	-	945,206	-
U.S. Treasury Notes	2,242,256	-	2,242,256	-
	<u>\$ 8,497,570</u>	<u>\$ -</u>	<u>\$ 8,497,570</u>	<u>\$ -</u>

**Note 5 - Capital Assets**

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

	Balance January 1, 2023 (restated)	Additions	Transfers and Retirements	Balance December 31, 2023
Capital assets not being depreciated				
Land	\$ 1,222,600	\$ -	\$ -	\$ 1,222,600
Construction in progress	-	83,832	-	83,832
Total capital assets not being depreciated	<u>\$ 1,222,600</u>	<u>\$ 83,832</u>	<u>\$ -</u>	<u>\$ 1,306,432</u>
Capital assets being depreciated				
Land improvements	\$ 1,186,844	\$ -	\$ -	\$ 1,186,844
Buildings and improvements	19,336,086	156,014	-	19,492,100
Equipment	7,658,427	814,309	-	8,472,736
Total capital assets being depreciated	<u>28,181,357</u>	<u>\$ 970,323</u>	<u>\$ -</u>	<u>29,151,680</u>
Less accumulated depreciation for:				
Land improvements	(919,439)	\$ (44,683)	\$ -	(964,122)
Buildings and improvements	(12,567,708)	(576,768)	-	(13,144,476)
Equipment	(6,305,803)	(302,397)	-	(6,608,200)
Total accumulated depreciation	<u>(19,792,950)</u>	<u>\$ (923,848)</u>	<u>\$ -</u>	<u>(20,716,798)</u>
Net capital assets being depreciated	<u>\$ 8,388,407</u>			<u>\$ 8,434,882</u>
Right to Use Subscription Assets being Amortized				
Equipment	\$ 1,226,760	\$ -	\$ -	\$ 1,226,760
Total accumulated amortization	<u>(153,345)</u>	<u>\$ (153,345)</u>	<u>\$ -</u>	<u>(306,690)</u>
Total right to use subscription assets, net	<u>\$ 1,073,415</u>			<u>\$ 920,070</u>
Right to Use Leased Assets being Amortized				
Equipment	\$ 109,650	\$ -	\$ -	\$ 109,650
Total accumulated amortization	<u>(900)</u>	<u>\$ (25,287)</u>	<u>\$ -</u>	<u>(26,187)</u>
Total right to use leased assets, net	<u>\$ 108,750</u>			<u>\$ 83,463</u>
Capital assets, net	<u>\$ 10,793,172</u>			<u>\$ 10,744,847</u>

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

	Balance January 1, 2022	Additions	Transfers and Retirements	Balance December 31, 2022 (restated)
Capital assets not being depreciated				
Land	\$ 1,222,600	\$ -	\$ -	\$ 1,222,600
Capital assets being depreciated				
Land improvements	\$ 1,186,844	\$ -	\$ -	\$ 1,186,844
Buildings and improvements	19,667,244	-	(331,158)	19,336,086
Equipment	11,574,912	157,720	(4,074,205)	7,658,427
Total capital assets being depreciated	<u>32,429,000</u>	<u>\$ 157,720</u>	<u>\$ (4,405,363)</u>	<u>28,181,357</u>
Less accumulated depreciation for:				
Land improvements	(871,124)	\$ (48,315)	\$ -	(919,439)
Buildings and improvements	(12,319,635)	(579,230)	331,157	(12,567,708)
Equipment	(10,111,628)	(268,381)	4,074,206	(6,305,803)
Total accumulated depreciation	<u>(23,302,387)</u>	<u>\$ (895,926)</u>	<u>\$ 4,405,363</u>	<u>(19,792,950)</u>
Net capital assets being depreciated	<u>\$ 9,126,613</u>			<u>\$ 8,388,407</u>
Right to Use Subscription Assets being Amortized				
Equipment	\$ -	\$ 1,226,760	\$ -	\$ 1,226,760
Total accumulated amortization	<u>-</u>	<u>\$ (153,345)</u>	<u>\$ -</u>	<u>(153,345)</u>
Total right to use subscription assets, net	<u>\$ -</u>			<u>\$ 1,073,415</u>
Right to Use Leased Assets being Amortized				
Equipment	\$ -	\$ 109,650	\$ -	\$ 109,650
Total accumulated amortization	<u>-</u>	<u>\$ (900)</u>	<u>\$ -</u>	<u>(900)</u>
Total right to use leased assets, net	<u>\$ -</u>			<u>\$ 108,750</u>
Capital assets, net	<u>\$ 10,349,213</u>			<u>\$ 10,793,172</u>

**Note 6 - Subscription-Based Information Technology Arrangements (SBITAs)**

The Hospital has entered into various SBITA contracts for various subscription-based technology arrangements. The Hospital is required to make principal and interest payments through 2026. The subscription IT liability was valued using a discount rate of 5.5% based on an incremental borrowing rate.

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	\$ 979,592	\$ -	\$ (261,045)	\$ 718,547	\$ 275,702

A summary of the changes in subscription IT 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
Subscription IT Liabilities	\$ 1,226,760	\$ -	\$ (247,168)	\$ 979,592	\$ 261,045

Remaining principal and interest payments on subscriptions are as follows:

Years Ending December 31,	Principal	Interest
2024	\$ 275,702	\$ 33,898
2025	291,181	18,419
2026	151,664	3,135
	<u>\$ 718,547</u>	<u>\$ 55,452</u>

#### Note 7 - Lease Obligations

The Hospital entered into various agreements to lease office equipment and medical equipment. The leases terminate at various dates through September 2027. Under the terms of the lease agreements, the Hospital pays monthly base rents ranging from \$263 of \$2,001.

During the years ended December 31, 2023 and 2022, the recorded \$5,148 and \$133 in interest expense for the right to use equipment. The Hospital used a discount rate of 5.53% based on the Hospital's incremental borrowing rate at the inception of the lease.

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	\$ 108,469	\$ -	\$ (21,777)	\$ 86,692	\$ 22,960

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	\$ 109,650	\$ -	\$ (1,181)	\$ 108,469	\$ 20,848

Remaining obligations associated with these leases are as follows:

Years Ending December 31,	Principal	Interest
2024	\$ 22,960	\$ 4,078
2025	21,953	2,947
2026	22,264	1,752
2027	19,515	498
	<u>\$ 86,692</u>	<u>\$ 9,275</u>

**Note 8 - Long-Term Debt**

A schedule of changes in the Hospital's long-term debt for the years ended December 31, 2023 and 2022 is as follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Mortgage Note	\$ 12,984,520	\$ -	\$ (563,519)	\$ 12,421,001	\$ 599,109
Hospital Revenue Bond	5,554,627	-	(131,140)	5,423,487	136,551
Note Payable	-	750,845	(11,647)	739,198	739,198
Note Payable	46,507	-	(46,507)	-	-
<b>Total long-term debt</b>	<b>\$ 18,585,654</b>	<b>\$ 750,845</b>	<b>\$ (752,813)</b>	<b>\$ 18,583,686</b>	<b>\$ 1,474,858</b>
	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Mortgage Note	\$ 13,514,562	\$ -	\$ (530,042)	\$ 12,984,520	\$ 563,519
Hospital Revenue Bond	5,680,572	-	(125,945)	5,554,627	131,140
Note Payable	106,897	-	(60,390)	46,507	46,507
<b>Total long-term debt</b>	<b>\$ 19,302,031</b>	<b>\$ -</b>	<b>\$ (716,377)</b>	<b>\$ 18,585,654</b>	<b>\$ 741,166</b>

Under the terms of the mortgage note payable and Hospital Revenue Bond, the Hospital is limited in the incurrence of additional borrowings, has limitations on purchases of capital assets, and is required to satisfy certain measures of financial performance, defined in the indenture agreements. In addition, the Hospital is required to maintain certain funds for debt reserve. For the year ended December 31, 2023, the Hospital did not meet these required financial covenants and did not receive approval for purchases of capital assets.

The terms and due dates of the Hospital's long-term debt are as follows:

- 6.14% mortgage note payable, due in monthly installments of \$112,090, including interest, to August 2037, secured by building, equipment, and net revenues of the Hospital, guaranteed 90% by the U.S. Department of Agriculture.
- 4.125% Hospital Revenue Bond payable to the U.S. Department of Agriculture, due in annual installments of \$360,290, including interest, to July 2047, secured by building, equipment, and net revenues of the Hospital subordinate to the mortgage note payable.
- 5.15% note payable, due in monthly installments of \$14,200, including interest, to June 2024 when the last payment of \$674,205 is due. The note payable is secured by a certificate of deposit.
- 3.03% note payable, paid in full during 2023.

Scheduled debt service requirements for the Hospital's long-term debt are as follows:

<u>Years Ending December 31,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,474,858	\$ 969,715
2025	779,132	926,244
2026	825,225	880,150
2027	874,102	831,770
2028	925,932	779,444
2029-2033	5,523,778	3,003,098
2034-2038	5,517,023	1,216,406
2039-2043	1,359,676	441,773
2044-2047	1,303,960	137,200
Total	<u>\$ 18,583,686</u>	<u>\$ 9,185,800</u>

**Note 9 - Deferred Compensation Plan**

The Hospital sponsors a deferred compensation plan through annuity contracts with a trustee in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to eligible Hospital employees and permits them to defer a portion of their compensation for retirement purposes. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation is invested for the participants by the Hospital under the plan agreements.

The Hospital also sponsors a 401(a) plan, under which all employees who have completed one year of service are eligible to participate. Participants may defer a portion of their compensation up to specified limits according to the IRC. The Hospital contributes up to 4% of eligible employee compensation annually. Total employer retirement expense for the years ended December 31, 2023, 2022, and 2021 was \$284,594, \$268,369, and \$254,061. The Hospital fully funds all compensation deferred under the plan agreement on a current basis. The assets are invested within various fund pools established and maintained by the plan trustee.

**Note 10 - 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	42%	38%
Medicaid	15%	16%
Commercial insurance and other third-party payors	29%	36%
Patients	14%	10%
	<u>100%</u>	<u>100%</u>

## **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 has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 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.

### **Self-Disclosure of Potential Violations of Stark Law**

In December 2016, the Hospital made a disclosure to the Center for Medicare and Medicaid Services (CMS) under the agency's Stark Law Voluntary Self-Referral Disclosure Protocol relating to the compensation paid to an employed physician. Disclosure of this matter was also made to Colorado Medicaid. As stated in the disclosures, after obtaining an independent compensation review, the Hospital was unable to certify that the compensation paid to the physician reflected the fair market value of the physician's services during a six-year period. The Hospital has not received a response to the disclosure from CMS. The Hospital has cooperated with any information requests received. There is little data or experience with resolution of matters disclosed under the CMS protocol and the ultimate outcome of the matter is difficult to estimate. However, the Hospital intends to cooperate with the agencies in their review of this matter and believes that the inadvertence of any discrepancy in compensation as well as the voluntary nature of the disclosure are significant mitigating factors. The Hospital has not accrued an estimated settlement in the financial statements due to the limited data and experience with resolution of these matters.

### **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 Insurance**

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 but not reported claims that will be paid by the Hospital. The Hospital has stop loss insurance to cover catastrophic claims in excess of \$60,000 per claim and an annual aggregate limit of \$1,114,617 for the plan year ended February 29, 2024.

The Hospital expensed amounts representing the employer’s portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulting from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued expenses in the financial statements. 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:

<u>Year</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2023	\$ 230,459	\$ 1,477,421	\$ (1,477,421)	\$ 230,459
2022	113,000	1,481,375	(1,363,916)	230,459

**Note 12 - Adoption of New Accounting Standard**

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 contracts.

The adoption of the standard impacted the Hospital's statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows for the year ended December 31, 2022 as follows:

	As Previously Reported	Change in Accounting Principle	As Restated
<b>Statement of Net Position</b>			
<b>Assets</b>			
<b>Capital Assets</b>			
Right to use subscription IT assets, net of accumulated amortization	\$ -	\$ 1,073,415	\$ 1,073,415
Total capital assets	9,719,757	1,073,415	10,793,172
Total assets	29,220,646	1,073,415	30,294,061
<b>Liabilities and Net Position</b>			
<b>Current Liabilities</b>			
Current maturities of subscription IT liabilities	-	261,045	261,045
Total current liabilities	3,413,376	261,045	3,674,421
<b>Long-Term Liabilities</b>			
Subscription IT liabilities, less current maturities	-	718,547	718,547
Total long-term liabilities	17,932,109	718,547	18,650,656
Total liabilities	21,345,485	979,592	22,325,077
<b>Net Position</b>			
Net investment in capital assets	(7,629,281)	93,823	(7,535,458)
Unrestricted	14,086,015	(93,823)	13,992,192
Total net position	7,024,773	93,823	7,118,596
Total liabilities, deferred inflows of resources, and net position	29,220,646	1,073,415	30,294,061
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
<b>Operating Expenses</b>			
Purchased services	5,033,603	(309,600)	4,724,003
Depreciation and amortization	896,826	153,345	1,050,171
Total operating expenses	23,950,876	(156,255)	23,794,621
Operating Loss	(1,621,385)	156,255	(1,465,130)
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense	(1,049,758)	(62,432)	(1,112,190)
Total nonoperating revenue, net	268,751	(62,432)	206,319
Expenses in Excess of Revenues and Change in Net Position	(1,352,634)	93,823	(1,258,811)
Net Position, End of Year	7,024,773	93,823	7,118,596
<b>Statement of Cash Flows</b>			
<b>Operating Activities</b>			
Payments to suppliers for goods and services	(10,500,597)	309,600	(10,190,997)
Net Cash From (Used For) Operating Activities	(1,193,758)	309,600	(884,158)
<b>Capital and Capital Related Financing Activities</b>			
Principal payments on subscription IT liabilities	-	(247,168)	(247,168)
Interest paid on subscription IT liabilities	-	(62,432)	(62,432)
Net Cash Used For Capital and Capital Related Financing Activities	(1,927,201)	(309,600)	(2,236,801)
<b>Reconciliation of Operating Loss to Net Cash</b>			
From (Used For) Operating Activities			
Operating loss	(1,621,385)	156,255	(1,465,130)
Adjustments to reconcile operating loss to net cash from (used for) operating activities			
Depreciation	896,826	153,345	1,050,171
Net Cash From (Used For) Operating Activities	(1,193,758)	309,600	(884,158)



Supplementary Information  
December 31, 2023 and 2022  
**Yuma District Hospital**



## Independent Auditor's Report on Supplementary Information

The Board of Directors  
Yuma District Hospital  
Yuma, Colorado

We have audited the financial statements of Yuma District Hospital (Hospital) as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated April 29, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

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

The budget information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The budget information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota  
April 29, 2024

Yuma District Hospital  
Schedule of Revenues and Expenses – Budget and Actual  
Year Ended December 31, 2023

	Budget (unaudited)	Actual	Variance Favorable/ (Unfavorable)
<b>Operating Revenues</b>			
Net patient service revenue	\$ 24,398,285	\$ 21,540,240	\$ (2,858,045)
Other revenue	737,025	566,408	(170,617)
Total operating revenues	<u>25,135,310</u>	<u>22,106,648</u>	<u>(3,028,662)</u>
<b>Nonoperating Revenues (Expense)</b>			
Ad valorem taxes	820,193	909,616	89,423
Interest expense	(1,402,641)	(1,074,620)	328,021
Unrestricted gifts and bequests	26,414	649,170	622,756
Investment income	-	419,516	419,516
Total nonoperating revenues (expense)	<u>(556,034)</u>	<u>903,682</u>	<u>1,459,716</u>
Total revenues	<u>\$ 24,579,276</u>	<u>\$ 23,010,330</u>	<u>\$ (1,568,946)</u>
<b>Expenses</b>			
Salaries and wages	\$ 10,441,544	\$ 10,307,975	\$ 133,569
Employee benefits	2,522,311	2,609,391	(87,080)
Depreciation	917,479	1,102,479	(185,000)
Supplies	2,604,751	2,378,869	225,882
Purchased services	4,657,722	5,189,737	(532,015)
Other	3,431,807	3,179,085	252,722
Total expenses	24,575,614	24,767,536	(191,922)
Capital Budget	2,557,287	1,054,154	1,503,133
<b>Debt Retirement</b>			
Principal paid	<u>741,166</u>	<u>752,813</u>	<u>(11,647)</u>
Total expenditures	<u>\$ 27,874,067</u>	<u>\$ 26,574,503</u>	<u>\$ 1,299,564</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 accounting principles generally accepted in the United States of America.
2. 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  
Yuma District Hospital  
Yuma, 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 Audit Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Yuma District Hospital (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 April 29, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, 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 Hospital's financial statements will not be prevented or detected and corrected on a timely basis. We consider deficiencies 2023-001 and 2023-002 described in the accompanying schedule of findings and responses 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 deficiency 2023-003 in the accompanying schedule of findings and responses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-004.

### **Yuma District Hospital's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fargo, North Dakota  
April 29, 2024

**2023-001      Preparation of Financial Statements and Schedule of Expenditures for Federal Awards  
Material Weakness in Internal Control over Financial Reporting**

*Criteria* – A properly designed system of internal control over financial reporting includes preparation of an entity’s financial statements, related footnotes, and schedule of expenditures for federal awards (Schedule) by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements, including the accompanying footnotes, in accordance with generally accepted accounting principles (GAAP).

*Condition* – The Hospital does not have an internal control system designed to provide for the preparation of financial statements, related footnotes, and Schedule being audited in accordance with GAAP. As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements, Schedule, and also assisted with material proposed adjusting journal entries.

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

*Effect* – The effect of this condition is that the year-end financial reporting and Schedule is prepared by a party outside of the entity. The outside party does not have constant contact with the ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial statements. It is the responsibility of the Hospital’s management and those charged with governance to make a decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Recommendation* – We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements and Schedule internally.

*Views of Responsible Officials* – Management agrees with the finding.

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

*Criteria* – A good system of internal control involves reconciliation of accounts on a monthly basis, with review for accuracy and timeliness.

*Condition* – In the current year, there were proposed adjustments that included patient accounts receivables, allowance for contractual adjustments, right to use leased assets, lease liabilities, amortization expense, and various expenses. In addition, we assisted with entries to implement subscription-based technology arrangements (SBITAs) that included recording right to use subscription IT assets, subscription IT liabilities, interest expense, and accumulated amortization.

*Cause* – A proper reconciliation between the Hospital’s general ledger and subsidiary accounts was not performed resulting in material adjustments.

*Effect* – The design of internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The need for these adjustments indicates that the Hospital’s interim financial information is not materially correct, which may affect management decisions made during the course of the year. As a result, the audit process included preparation of entries. With the proposed entries made during the audit, it is difficult to make changes in the operations on a timely basis in response to financial performance and make appropriate decisions for the future.

*Recommendation* – We recommend that the accounts be reviewed concurrently with monthly close out procedures by printing monthly reports from the modules and reconcile the balances with the general ledger. Any differences should be investigated and corrected on a timely basis. In addition to performing these reconciliations, an individual should be assigned to review the reconciliations on a monthly basis to ensure the accuracy and timeliness of the reconciliations.

*Views of Responsible Officials* – Management agrees with the finding.

**2023-003**

**Segregation of Duties  
Significant Deficiency in Internal Control over Financial Reporting**

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

*Condition* – The limited number of staff of the Hospital does not facilitate the segregation of duties necessary to achieve a low level of control risk.

*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 unintentional or intentional misstatements in amounts that would be material to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation* – While we recognize that the Hospital’s staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the financial management of the Hospital.

*Views of Responsible Officials* – Management agrees with the finding.

**2023-004 Timely Completion of Single Audit  
Noncompliance with Laws, Regulations, Contracts, and Grant Agreements**

*Criteria* – 45 CFR 75.501 establishes a non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single audit or program-specific audit conducted for that year. 45 CFR 75.512 establishes the audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report or nine months after the end of the fiscal year end.

*Condition* – The Hospital’s reporting package and data collection form was not submitted with the later of the nine-month required time period for the fiscal year end 2022 as identified by the standards.

*Cause* – The Hospital was unable to complete and issue the Hospital’s December 31, 2022 single audit testing in a timely manner.

*Effect* – The Hospital is not in compliance with 45 CFR 75.512 which could have a direct and material effect on the Hospital’s financial statements as the resolution of any potential single audit findings are unknown.

*Recommendation* – We recommend management complete and submit the reporting package as soon as possible.

*Views of Responsible Officials* – Management agrees with the finding.