Financial Statements
December 31, 2022

St. Vincent General Hospital District

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Independent Auditor's Report

The Board of Directors
St. Vincent General Hospital District
Leadville, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the statement of net position of St. Vincent General Hospital District (Hospital) as of December 31, 2022, and were engaged to audit the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Disclaimer of Opinion on the Statements of Revenues, Expenses, and Changes in Net Position, and Cash Flows

We do not express an opinion on the statements of revenues, expenses, and changes in net position and cash flows of the Hospital for the year ended December 31, 2022. Because of the significance of the matter described in the Basis for Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statements of revenues, expenses, and changes in net position and cash flows for the year ended December 31, 2022.

Opinion on the Statement of Net Position

In our opinion, the accompanying statement of net position presents fairly, in all material respects, the financial position of St. Vincent General Hospital District as of December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We were unable to confirm that opening account balances were accurate and supported by proper cutoff of transactions related to the Hospital's December 31, 2021 year end and we were not always able to obtain or review documentation necessary to provide an opinion related to revenues and expenses reported for the year ended December 31, 2022. As a result, we were unable to express an opinion on the statements of revenues, expenses, and changes in net position and cash flows of the Hospital for the year ended December 31, 2022.

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 (Government Auditing Standards),* issued by the Comptroller General of the United States. 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 over the statement of net position.

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 St. Vincent General Hospital District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 St. Vincent General Hospital 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 St. Vincent General Hospital District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenses - Budget and Actual is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of the St. Vincent General Hospital District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 St. Vincent General Hospital District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the St. Vincent General Hospital District's internal control over financial reporting and compliance.

Fargo, North Dakota
October 2, 2023

Introduction

Our discussion and analysis for St. Vincent General Hospital District (Hospital) financial performance provides an overview of St. Vincent General Hospital District's financial activities for the fiscal years ended December 31, 2022, 2021, and 2020. Please read it in conjunction with the St. Vincent General Hospital District's financial statements, which begin on page 7.

Financial Highlights

- The Hospital's net position decreased in the fiscal year ended December 31, 2022 from $ 9,103,719 to $3,976,019. This is a decrease of $5,127,700 or 56%. In the prior fiscal year ending December 31, 2021, net position increased from $6,877,081 to $9,103,719.

- Operating revenue increased by $1,744,732 during the year ended December 31, 2022 as patient service revenue increased $2,480,535. During 2022, operating expenses increased by $5,170,643 with the most significant changes in operating expenses being an increase in salary and wages of $ 2,727,332.

- There was an operating loss for the fiscal year ending December 31, 2022 of $7,289,168, compared to an operating loss of $2,411,650 in the prior year. This is an increased loss of $4,877,518.

- Total cash and cash equivalents, restricted cash, short-term investments, and internally designated investments increased from $207,936 in 2021 to $ 369,977 in 2022. This is an increase of $162,041.

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 , 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?"

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 7 and 8. The Hospital's net position decreased in the current fiscal year ending December 31, 2022 from $9,103,719 to $3,976,019.

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

	2022	2021	2020
Assets			
Current assets	$ 5,834,242	$ 4,551,762	$ 7,312,549
Capital assets, net	28,613,157	29,282,550	18,540,791
Other noncurrent assets	-	418,935	1,515,347
Total assets	$ 34,447,399	$ 34,253,247	$ 27,368,687
Liabilities			
Current liabilities	$ 4,907,636	$ 2,388,754	$ 6,910,347
Long-term liabilities	22,095,681	21,386,649	12,345,831
Deferred inflows	3,468,063	1,374,125	1,235,428
Total liabilities and deferred inflows	30,471,380	25,149,528	20,491,606
Net Position			
Net investment in capital assets	5,717,626	7,482,550	4,504,776
Restricted - expendable for debt service and capital asset replacement	15,459	418,935	342,359
Unrestricted	(1,757,066)	1,202,234	2,029,946
Total net position	3,976,019	9,103,719	6,877,081
Total liabilities, deferred inflows, and net position	$ 34,447,399	$ 34,253,247	$ 27,368,687

Summary

The Hospital experienced an increase in operational expenses with a decrease in patient collections for the services rendered in 2022 when compared to the 2021 fiscal year. These factors had a major impact on hospital revenues.

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 St. Vincent General Hospital District, 816 W 4th St, Leadville, CO 80461 phone number (719) 486-0230.

Assets	
Current Assets	
Cash and cash equivalents	$ 354,518
Restricted cash	15,459
Receivables	
Patient, net of estimated uncollectibles of approximately $841,000 in 2022	1,443,355
Estimated third-party payor settlements	1,264,000
Ad valorem taxes	2,145,378
Other	55,233
Supplies	471,677
Prepaid expenses	84,622
Total current assets	5,834,242
Capital Assets	
Capital assets and right-to-use leased assets, net of accumulated depreciation and amortization	28,613,157
Total assets	$ 34,447,399

Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Current maturities of long-term debt	$ 409,464
Current maturities of leases	390,386
Accounts payable	3,052,841
Accrued expenses	
Salaries and wages	252,616
Earned time days	448,726
Payroll taxes and other	40,346
CMS advance	143,991
Refundable advance	25,275
Total current liabilities	4,907,636
Long-Term Liabilities	
Long-term debt, less current maturities	20,974,074
Leases, less current maturities	1,121,607
Total long-term liabilities	22,095,681
Total liabilities	27,003,317
Deferred Inflow of Resources	
Ad valorem taxes	2,001,387
Gain on sale leaseback	1,466,676
Total deferred inflow of resources	3,468,063
Net Position	
Net investment in capital assets	5,717,626
Restricted - expendable held by trustee for debt service	15,459
Unrestricted	(1,757,066)
Total net position	3,976,019
Total liabilities, deferred inflows of resources, and net position	$ 34,447,399

Operating Revenues	
Net patient service revenue, net of recovery of bad debts and provision for bad debts	$ 16,919,633
Other revenue	72,735
Total operating revenues	16,992,368
Operating Expenses	
Salaries and wages	11,042,570
Employee benefits	2,636,748
Purchased services	4,484,261
Supplies	1,241,129
Depreciation	2,367,958
Insurance	322,270
Utilities	423,046
Repairs and maintenance	471,732
Leases and rentals	599,436
Other	692,386
Total operating expenses	24,281,536
Operating Loss	(7,289,168)
Nonoperating Revenues (Expenses)	
Debt issuance costs	(115,568)
Interest expense	(553,844)
Ad valorem taxes	2,147,277
Gain on sale leaseback	293,335
Investment income	18,106
Other	41,310
Total nonoperating revenue	1,830,616
Expenses in Excess of Revenues Before Capital Grants	(5,458,552)
Provider Relief Funds for Capital Assets	330,852
Change in Net Position	(5,127,700)
Net Position, Beginning of Year	9,103,719
Net Position, End of Year	$ 3,976,019

Operating Activities	
Receipts from and on behalf of patients	$ 16,658,326
Payments for employees' services and benefits	(13,847,276)
Payments to suppliers for goods and services	(5,546,699)
Other receipts and payments, net	163,027
Net Cash Used for Operating Activities	(2,572,622)
Noncapital Financing Activities	
Ad valorem taxes	2,147,277
Repayment of CMS advance	(626,863)
Other receipts	41,310
Net Cash from Noncapital Financing Activities	1,561,724
Capital and Capital Related Financing Activities	
Purchase of capital assets	(186,571)
Proceeds from sale leaseback transaction	1,760,010
Capital grants	330,852
Repayment of long-term debt	(416,462)
Interest paid on long-term debt obligations	(540,125)
Principal payments on leases	(198,087)
Interest paid on leases	(13,719)
Net Cash from Capital and Capital Related Financing Activities	735,898
Investing Activity	
Investment income	18,106
Change in Cash and Cash Equivalents	(256,894)
Cash and Cash Equivalents, Beginning of Year	626,871
Cash and Cash Equivalents, End of Year	$ 369,977
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and cash equivalents	$ 354,518
Restricted cash	15,459
Total cash and cash equivalents	$ 369,977
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities	
Lease liability for the acquisition of a right-of-use leased asset	$ 1,814,391

Reconciliation of Operating Loss to Net Cash	
From (Used For) Operating Activities	
Operating loss	$ (7,289,168)
Adjustments to reconcile operating loss	
to net cash used for operating activities	
Depreciation and amortization	2,367,958
Changes in assets and liabilities	
Receivables	682,809
Supplies	(107,038)
Prepaid expenses	11,386
Accounts payable	2,783,213
Estimated third-party payor settlements	(921,000)
Accrued expenses	(100,782)
Net Cash Used for Operating Activities	$ (2,572,622)

Note 1 - Reporting Entity and Significant Accounting Policies

The financial statements of St. Vincent General 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 25-bed critical access hospital and clinic located in Leadville, Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 115. In 1988, St. Vincent 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 Lake County.

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 reduced by the outstanding balances of any related debt obligations 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 .

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.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

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 unemployment claims reserve. 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 and Lease Right of Use 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. Lease right of use assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation in the financial statements. The estimated useful lives of capital assets and lease right of use assets are as follows:

Land improvements	7-20 years
Buildings and improvements	5-40 years
Major movable equipment	3-26 years
Lease right of use assets	3 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.

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 year ended December 31, 2022.

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

Leases

The Hospital is the lessee for noncancellable leases of equipment. The Hospital recognizes an intangible right to use asset (lease asset) and lease liability under these agreements. At the commencement of the lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. The lease asset is amortized on a straight-line basis over its estimated useful life. Key estimates related to leases include the discount rate used to discount the expected lease payments to present value, lease term and lease payments. The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability include fixed payments and a purchase option price, if applicable, that the Hospital is reasonably certain to exercise. The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure a lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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.

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 $0 for the year ended December 31, 2022.

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 $186,000 in provider fees for the year ended December 31, 2022, which is recorded in other operating expenses. The Hospital's revenue was approximately $2,583,000 of supplemental payments for the year ended December 31, 2022, which is 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.

Implementing of GASB Statement No. 87

As of January 1, 2022, the Hospital adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Hospital recognized a right of use asset and lease liability of $1,021,111 as of December 31, 2022. As a result of these adjustments there was no effect on beginning net position. 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 , 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, 2020. 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, 2021.

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, 2022 and 2021:

	2022
Medicare	22%
Medicaid	22%
Other insurance	50%
Private pay	6%
	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 year ended December 31, 2022 increased approximately $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.

Note 3 - Provider Relief Funds

The Hospital received funding related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS has various deadlines to incur eligible expenses. Unspent funds will be expected to be repaid.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. During the year ended December 31, 2022, the Hospital recognized $331,000 as revenue. As December 31, 2022, the Hospital had approximately $25,000 in refundable advances, which is recorded as a current liability.

Note 4 - Deposits

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, 2022, the Hospital’s deposits were in banks covered under PDPA, properly collateralized, or were in banks with balances under FDIC limits.

Note 5 - Capital Assets

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
Capital Assets Being Depreciated/Amortized				
Land improvements	$ 1,222,073	$ -	$ -	$ 1,222,073
Buildings and improvements	28,338,145	69,435	-	28,407,580
Equipment	11,265,858	117,137	-	11,382,995
Right-to-use asset - equipment	181,262	1,814,391	-	1,995,653
Total capital assets being depreciated/amortized	41,007,338	$ 2,000,963	$ -	43,008,301
Less Accumulated Depreciation/Amortization for				
Land improvements	160,725	72,110	$ -	232,835
Buildings and improvements	4,398,839	1,319,176	-	5,718,015
Equipment	6,983,962	976,672	-	7,960,634
Right-to-use asset - equipment	-	483,660	-	483,660
Total accumulated depreciation/amortization	11,543,526	$ 2,851,618	$ -	14,395,144
Net capital assets being depreciated/amortized	$ 29,463,812			$ 28,613,157

Note 6 - Lease Obligations

The Hospital entered into agreements to lease equipment. The leases terminate in July 2025. Under the terms of the lease agreements, the Hospital pays monthly base rents of $52,247.

During the year ended December 31, 2022, the Hospital recognized right to use assets and lease liabilities of $1,814,391 relating to these agreements. The Hospital used a discount rate of 2.50% based on the Hospital's incremental borrowing rate at the inception of the lease.

Remaining obligations associated with these leases are as follows:

Years Ending September 30,	Principal	Interest
2023	$ 596,639	$ 30,330
2024	611,287	15,682
2025	304,067	2,236
	$ 1,511,993	$ 48,248

Note 7 - Long-Term Debt

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

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
USDA 2021A-1 Bonds Payable	$ 9,000,000	$ -	$ 175,497	$ 8,824,503	$ 175,333
USDA 2021A-2 Bonds Payable	8,290,000	-	161,662	8,128,338	161,511
Colliers Mortgage Note Payable - Guaranteed	4,059,000	-	79,303	3,979,697	64,969
Colliers Mortgage Note Payable - Unguaranteed	451,000	-	-	451,000	7,651
Total long-term debt	$ 21,800,000	$ -	$ 416,462	$ 21,383,538	$ 409,464

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

- 4.215% mortgage note payable, due in monthly installments of $22,094, including interest, to December 2051, guaranteed 90% by the U.S. Department of Agriculture.

- 2.125% Hospital Revenue Bonds payable (2021A-1 and 2021A-2) to the U.S. Department of Agriculture, due in monthly installments of $28,021 and $30,420, including interest, to December 2056.

Under the terms of the USDA bonds payable, the Hospital is required to meet certain measures of financial performance and fund a reserve for repairs. The Hospital was not in compliance with those covenants as of December 31, 2022. As such, the Hospital will need to submit quarterly financial statements to USDA, develop a plan to improve financial performance, and include in its next budget funding for the reserve.

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

	Long-Term Debt	
Years Ending December 31,	Principal	Interest
2023	409,464	542,233
2024	434,479	531,944
2025	446,111	520,311
2026	457,551	508,872
2027	469,316	497,106
2028-2032	2,534,205	2,297,906
2033-2037	2,884,048	1,948,063
2038-2042	3,287,903	1,544,208
2043-2047	3,755,933	1,076,178
2048-2052	4,034,622	537,332
2053-2057	2,669,906	199,101
Total	$ 21,383,538	$ 10,004,153

Note 8 - Deferred Compensation Plan

The Hospital sponsors a deferred compensation plan through annuity contracts with a trustee in accordance with Internal Revenue Code (IRC) Section 403(b). The plan is available to eligible Hospital employees and permits them to defer a portion of their compensation for retirement purposes. Employer contributions are at the discretion of the Hospital's Board of Directors. Employees automatically become eligible to contribute at the beginning of employment. The deferred compensation is invested for the participants by the Hospital under the plan agreements.

The Hospital also administers a 401(a) plan, under which all employees over the age of 21 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 discontinued contributions to the 401(a) plan in 2015 and currently allows for employee contributions only.

Note 9 - Concentration of Credit Risk

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

	2022
Medicare	10%
Medicaid	12%
Commercial Insurance and Other Third-Party Payors	54%
Patients	24%
	100%

Note 10 - 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.

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 .

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.

Note 11 - Financial Position and Operations

The Hospital's financial position and operating results as of and for the year ended December 31, 2022 have declined. The Hospital experienced a decrease in net position of $5,127,700 for the year ended December 31, 2022. During the year ended December 31, 2022, the Hospital's operating expenses outweighed the operating revenues, resulting in an operating loss of $7,289,168, while cash decreased by $256,894 and accounts payable increased by $2,883,096 compared to the balances at December 31, 2021.

As of December 31, 2022, the Hospital did not meet the debt covenants related to debt service coverage and required debt reserve balance. Not meeting these covenants on existing debt can limit the access to additional debt that may be needed to fund projects or operations.

The Hospital's plans related to the current financial situation from a patient revenue perspective include improved charge capture and billing/collection procedures for patient services to increase the margin on services. Unprofitable departments have been discontinued and leases for excess space have been terminated to reduce costs. Service contracts from third party vendors have been renegotiated to further reduce costs. Management is also working to reengage the local community in an effort to increase patient visits to the Hospital. The Hospital anticipates tax funding increases in 2023 and 2024.

The Hospital has also engaged an operational assessment that will be completed to further identify financial opportunities to improve financial performance.

Hospital management believes that operations, after the changes noted above, will be sufficient to sustain the organization, allow the Hospital to meet its current obligations as they come due, and provide the opportunity to improve cash flows and financial position.

Supplementary Information
December 31, 2022

St. Vincent General Hospital District

	Budget (unaudited)	Actual (unaudited)	Variance Favorable/ (Unfavorable)
Operating Revenues			
Net patient service revenue	$ 15,374,480	$ 16,919,633	$ 1,545,153
Other revenue	2,750,000	72,735	(2,677,265)
Total operating revenues	18,124,480	16,992,368	(1,132,112)
Nonoperating Revenues (Expense)			
Debt issuance costs	(1,200,000)	(115,568)	
Interest expense	(500,000)	(553,844)	(53,844)
Property tax	1,448,844	2,147,277	698,433
Gain on sale of assets	-	293,335	
Investment income	-	18,106	18,106
Other nonoperating revenue	150,000	41,310	(108,690)
Total nonoperating revenues (expense)	(101,156)	1,830,616	1,931,772
Provider Relief Funds used for Capital	400,000	330,852	(69,148)
Total revenues	$ 18,423,324	$ 19,153,836	$ 730,512
Expenses			
Salaries and wages	$ 7,904,250	$ 11,042,570	$ (3,138,320)
Employee benefits	2,607,484	2,636,748	(29,264)
Depreciation	546,635	2,367,958	(1,821,323)
Supplies	2,499,142	1,241,129	1,258,013
Purchased services	3,912,583	4,484,261	(571,678)
Other	1,304,760	2,508,870	(1,204,110)
Total expenses	18,774,854	24,281,536	(5,506,682)
Capital Budget	-	186,571	(186,571)
Debt Retirement			
Principal paid	413,351	416,462	(3,111)
Total expenditures	$ 19,188,205	$ 24,884,569	$ (5,696,364)

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
St. Vincent General Hospital District
Leadville, 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, the statements of net position of St. Vincent General Hospital District (Hospital) as of and for the year ended December 31, 2022, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated October 2, 2023.

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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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.

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 2022-001, 2022-002, and 2022-003 described in the accompanying Schedule of Findings and Responses to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Hospital's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control 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
October 2, 2023

2022-001 Preparation of Financial Statements
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 and accompanying notes 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 and related footnotes being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, audit adjustments were required that were considered material to the financial statements.

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 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 internally.

Views of Responsible Officials – Management agrees with the finding.

2022-002 Account Reconciliations and 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 – Currently, there are accounts that are not being reconciled properly and this has resulted in differences in the internal financial statements throughout the year and proposed audit adjustments. This lack of timely reconciliation has affected several financial statement areas.

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.

2022-003 Segregation of Duties
Material Weakness 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 staffs 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.