

St. Vincent General Hospital District

Basic Financial Statements and
Independent Auditors' Report

December 31, 2019 and 2018



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

**St. Vincent General Hospital District
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DINGUS | ZARECOR & ASSOCIATES PLLC
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Vincent General Hospital District (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – COVID-19 Pandemic

As discussed in Note 13 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 13. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of budget and actual revenues and expenses and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budget and actual revenues and expenses and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020, on our consideration of the 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 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 District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 20, 2020

**St. Vincent General Hospital District
Statements of Net Position
December 31, 2019 and 2018**

ASSETS	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 674,936	\$ 824,772
Receivables:		
Patient accounts	1,064,684	1,126,811
Property taxes	1,146,024	943,423
Estimated third-party payor settlements	-	332,000
Inventories	159,388	148,048
Other current assets	23,333	144,326
Total current assets	3,068,365	3,519,380
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for debt service	491,314	178,750
Cash and cash equivalents restricted for unemployment claims reserves	142,921	142,921
Capital assets, net	6,518,509	3,479,554
Total noncurrent assets	7,152,744	3,801,225
Total assets	\$ 10,221,109	\$ 7,320,605
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 208,125	\$ 197,737
Accrued compensation and related liabilities	312,564	442,459
Estimated third-party payor settlements	666,000	879,000
Current maturities of long-term debt	40,007	644,581
Total current liabilities	1,226,696	2,163,777
<i>Long-term debt, net of current maturities</i>	3,008,108	75,040
Total liabilities	4,234,804	2,238,817
<i>Deferred inflows of resources, property tax levy</i>	1,146,024	943,423
Total liabilities and deferred inflows of resources	5,380,828	3,182,240
<i>Net position</i>		
Net investment in capital assets	3,470,394	2,759,933
Unrestricted	735,652	1,056,761
Restricted	634,235	321,671
Total net position	4,840,281	4,138,365
Total liabilities, deferred inflows of resources, and net position	\$ 10,221,109	\$ 7,320,605

See accompanying notes to basic financial statements.

St. Vincent General Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Operating revenues</i>		
Net patient service revenue	\$ 9,919,762	\$ 8,703,586
County ambulance services contract	764,838	750,000
Other	41,299	29,048
Total operating revenues	10,725,899	9,482,634
<i>Operating expenses</i>		
Salaries and wages	5,139,432	4,746,854
Employee benefits	1,141,737	1,022,745
Professional fees and other purchased services	2,042,293	1,757,590
Supplies	734,177	709,558
Depreciation and amortization	419,677	367,657
Insurance	164,780	149,229
Utilities	148,530	158,036
Repairs and maintenance	326,656	316,600
Leases and rentals	58,107	83,817
Provider fees	166,321	232,655
Other	205,095	300,517
Total operating expenses	10,546,805	9,845,258
<i>Operating income (loss)</i>	179,094	(362,624)
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	1,007,168	957,694
Other nonoperating revenue	77,817	39,406
Interest expense	(14,944)	(53,837)
Debt issuance costs	(660,600)	-
Total nonoperating revenues, net	409,441	943,263
Change in net position before capital grants	588,535	580,639
<i>Capital grants</i>	113,381	210,233
Change in net position	701,916	790,872
Net position, beginning of year	4,138,365	3,347,493
Net position, end of year	\$ 4,840,281	\$ 4,138,365

See accompanying notes to basic financial statements.

St. Vincent General Hospital District
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 10,100,889	\$ 9,549,001
Receipts from county ambulance services contract	764,838	750,000
Other receipts	99,977	41,090
Payments to and on behalf of employees	(6,411,064)	(5,620,955)
Payments to suppliers and contractors	(3,784,596)	(4,128,103)
Net cash provided by operating activities	770,044	591,033
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	1,007,168	965,674
Other receipts	32,024	37,648
Net cash provided by noncapital financing activities	1,039,192	1,003,322
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(3,458,632)	(689,848)
Proceeds from capital grants	113,381	210,233
Proceeds from issuance of long-term debt	2,973,075	-
Principal paid on long-term debt	(644,581)	(703,305)
Interest paid on long-term debt	(14,944)	(53,837)
Debt issuance costs	(660,600)	-
Net cash used in capital and related financing activities	(1,692,301)	(1,236,757)
<i>Cash flows from investing activities</i>		
Investment income	45,793	1,758
Net increase in cash and cash equivalents	162,728	359,356
Cash and cash equivalents, beginning of year	1,146,443	787,087
Cash and cash equivalents, end of year	\$ 1,309,171	\$ 1,146,443

See accompanying notes to basic financial statements.

**St. Vincent General Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018**

	2019	2018
<i>Reconciliation of cash and cash equivalents to the statements of net position</i>		
Cash and cash equivalents in current assets	\$ 674,936	\$ 824,772
Cash and cash equivalents restricted for debt service	491,314	178,750
Cash and cash equivalents restricted for unemployment claims reserves	142,921	142,921
	\$ 1,309,171	\$ 1,146,443

Reconciliation of operating income (loss) to net cash provided by operating activities

Operating income (loss)	\$ 179,094	\$ (362,624)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>		
Depreciation and amortization	419,677	367,657
Provision for bad debts	1,579,925	1,023,710
(Increase) decrease in assets:		
Patient accounts receivable	(1,517,798)	(1,179,295)
Estimated third-party payor settlements	332,000	339,000
Inventories	(11,340)	(29,646)
Other current assets	120,993	67,581
Increase (decrease) in liabilities:		
Accounts payable	10,388	(445,994)
Accrued compensation and related liabilities	(129,895)	148,644
Estimated third-party payor settlements payable	(213,000)	662,000
Net cash provided by operating activities	\$ 770,044	\$ 591,033

Noncash Financing Activities

During the year ended December 31, 2018, the District entered into a capital lease to finance the purchase of a portable x-ray machine for \$118,000.

See accompanying notes to basic financial statements.

**St. Vincent General Hospital District
Notes to Basic Financial Statements
Years Ended December 31, 2019 and 2018**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

St. Vincent General Hospital District (the District) operates a critical access hospital licensed for 25 beds and a provider-based clinic in Leadville, Colorado. The District was created in 1988 as a political subdivision of the state of Colorado for the sole purpose of operating St. Vincent General Hospital. As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of the state law. The District provides healthcare services to Lake County. The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another government entity.

b. Summary of Significant Accounting Policies

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

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

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

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

Inventories – Supply inventories are stated at cost, determined using the first-in, first-out method. Inventories consist of pharmaceutical, medical, and other supplies used in the operations of the District.

Capital assets – It is the District’s policy to capitalize property and equipment over \$5,000 and a useful life of at least three years; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets other than land are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense.

Estimated useful lives are as follows:

Land improvements	7 to 20 years
Buildings and improvements	5 to 40 years
Major movable equipment	3 to 26 years

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

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

b. Summary of Significant Accounting Policies (continued)

Compensated absences – The District’s policies permit most employees to accumulate vacation benefits that may be realized as paid time off. The expense and the related liability are recognized as vacation benefits are earned. Compensated absence liabilities are computed using the regular pay rate in effect at the statements of net position dates plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Net position – Net position has three classifications. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

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

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

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

Reclassifications – Certain items included in the accompanying 2018 financial statements have been reclassified to conform to the 2019 presentation, with no effect on the previously reported change in net position.

Subsequent events – The District has evaluated subsequent events and transactions through May 20, 2020, the date on which the financial statements were available to be issued.

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

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

b. Summary of Significant Accounting Policies (continued)

Upcoming accounting standard pronouncements – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The new guidance is effective for the District's year ending December 31, 2021. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

2. Bank Deposits and Investments:

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

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the PDPA.

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

2. Bank Deposits and Investments (continued):

Investments – Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker’s acceptance notes, commercial paper, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third party on behalf of the local government. The District had no investments at December 31, 2019 or 2018.

3. Patient Accounts Receivable:

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

The District’s allowance for uncollectible accounts for self-pay patients as of December 31, 2019, increased significantly compared to the balance as of December 31, 2018, due to a significant increase in the balances due from self-pay patients as of those dates. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District were as follows:

	2019	2018
Receivable from patients and their insurance carriers	\$ 2,717,380	\$ 1,845,763
Receivable from Medicare	243,745	193,190
Receivable from Medicaid	50,210	106,445
Total patient accounts receivable	3,011,335	2,145,398
Less allowance for uncollectible accounts	(1,946,651)	(1,018,587)
Patient accounts receivable, net	\$ 1,064,684	\$ 1,126,811

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

4. Property Taxes:

The Lake County Treasurer acts as an agent to assess and collect property taxes levied in the county for all taxing authorities. Property taxes are levied and assessed on December 22 of the prior year on property values assessed as of May 1 of the prior year. Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. The assessed property is subject to lien on the levy date, therefore, no allowance for uncollectible taxes receivable is considered necessary at the statements of net position dates.

For 2019, the District's regular tax levy was \$9.106 per \$1,000 on a total assessed valuation of \$103,604,500, for a total regular levy of \$943,423.

For 2018, the District's regular tax levy was \$9.106 per \$1,000 on a total assessed valuation of \$102,538,310, for a total regular levy of \$933,714.

5. Capital Assets:

Capital asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ 684,075	\$ 3,238,048	\$ (17,278)	\$ -	\$ 3,904,845
<i>Capital assets being depreciated</i>					
Land improvements	142,920	-	-	-	142,920
Buildings and improvements	6,367,145	35,539	(697,332)	-	5,705,352
Major movable equipment	6,328,582	202,195	507,627	-	7,038,404
Total capital assets being depreciated	12,838,647	237,734	(189,705)	-	12,886,676
<i>Less accumulated depreciation for</i>					
Land improvements	142,239	167	-	-	142,406
Buildings and improvements	4,365,266	153,017	(697,332)	-	3,820,951
Major movable equipment	5,535,663	266,493	507,499	-	6,309,655
Total accumulated depreciation	10,043,168	419,677	(189,833)	-	10,273,012
<i>Total capital assets being depreciated, net</i>	2,795,479	(181,943)	128	-	2,613,664
Capital assets, net	\$ 3,479,554	\$ 3,056,105	\$ (17,150)	\$ -	\$ 6,518,509

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

5. Capital Assets (continued):

Capital asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2017	Additions	Retirements	Transfers	Balance December 31, 2018
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ 659,290	\$ 149,535	\$ -	\$ (124,750)	\$ 684,075
<i>Capital assets being depreciated</i>					
Land improvements	142,920	-	-	-	142,920
Buildings and improvements	6,181,333	185,812	-	-	6,367,145
Major movable equipment	5,731,331	472,501	-	124,750	6,328,582
Total capital assets being depreciated	12,055,584	658,313	-	124,750	12,838,647
<i>Less accumulated depreciation for</i>					
Land improvements	142,072	167	-	-	142,239
Buildings and improvements	4,220,262	145,004	-	-	4,365,266
Major movable equipment	5,313,177	222,486	-	-	5,535,663
Total accumulated depreciation	9,675,511	367,657	-	-	10,043,168
<i>Total capital assets being depreciated, net</i>	2,380,073	290,656	-	124,750	2,795,479
Capital assets, net	\$ 3,039,363	\$ 440,191	\$ -	\$ -	\$ 3,479,554

Construction in progress at December 31, 2019, consisted of costs for the construction of a new hospital building. The estimated completion cost of the building is \$15,170,000, and the estimated completion date will be in March 2021.

6. Employee Health Self-insurance:

For 2019, the District self-insured the cost of employee healthcare benefits as it purchased stop-loss insurance coverage for all claims in excess of \$25,000 per claim. Liabilities on the statements of net position include an accrual for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The District's self-insurance is recorded in accrued compensation and related liabilities. For 2018, the District purchased commercial health insurance.

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

6. Employee Health Self-insurance (continued):

Changes in the District's claim liability are as follows:

	2019
Claim liability, beginning of year	\$ -
Current year claims and changes in estimates	1,038,635
Claims payments	(946,252)
Claim liability, end of year	\$ 92,383

The District also recorded a receivable of approximately \$80,000 at December 31, 2019, for stop-loss insurance recoveries related to the claim liability.

7. Long-term Debt and Other Noncurrent Liabilities:

A schedule of changes in the District's noncurrent liabilities follows:

	Balance December 31, 2018			Balance December 31, 2019		Amounts Due Within One Year
	2018	Additions	Reductions	2019	2019	2019
Series 1999 Hospital						
Revenue Bonds	\$ 485,000	\$ -	\$ (485,000)	\$ -	\$ -	\$ -
Note payable	108,517	-	(108,517)	-	-	-
Construction loan	-	2,973,075	-	2,973,075	-	-
Capital lease obligations	126,104	-	(51,064)	75,040	-	40,007
Total long-term debt and other noncurrent liabilities	\$ 719,621	\$ 2,973,075	\$ (644,581)	\$ 3,048,115	\$ -	\$ 40,007
	Balance December 31, 2017			Balance December 31, 2018		Amounts Due Within One Year
	2017	Additions	Reductions	2018	2018	2018
Series 1999 Hospital						
Revenue Bonds	\$ 940,000	\$ -	\$ (455,000)	\$ 485,000	\$ 485,000	\$ 485,000
Note payable	338,600	-	(230,083)	108,517	108,517	108,517
Capital lease obligations	26,326	118,000	(18,222)	126,104	-	51,064
Total long-term debt and other noncurrent liabilities	\$ 1,304,926	\$ 118,000	\$ (703,305)	\$ 719,621	\$ 719,621	\$ 644,581

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

7. Long-term Debt and Other Noncurrent Liabilities (continued):

The terms and due dates of the District’s long-term debt and other noncurrent liabilities were as follows:

- The Series 1999 Hospital Revenue Bonds (“Series 1999 Bonds”) were issued on June 1, 1999, in the amount of \$6,005,000 to finance the equipping, expanding, and renovating of the District’s facilities. The bonds matured on December 1, 2019.
- The District obtained a construction loan in August 2019 in the amount of up to \$21,800,000 to finance the construction of the new Hospital building. The construction loan bears interest at 4.11 percent, with interest-only payments due monthly. The loan balance is based on the draws on the loan as construction progresses. There are no scheduled principal payments since it will be refinanced at the end of the construction. The United States Department of Agriculture has committed to refinance the construction loan once construction is completed via a direct loan of up to \$17,290,000 and a guaranteed loan through a commercial lender of up to \$4,510,000.
- The District agreed upon a payment schedule with an architecture firm for outstanding invoices in the amount of \$338,600. An initial lump-sum payment of \$38,600 was paid on March 1, 2018. The remaining balance was paid in installments throughout 2018 and was fully repaid in January 2019. No interest was imputed on the balance owed.
- In 2018, the District financed the purchase of a portable x-ray machine through a capital lease in the amount of \$118,000. The lease has an interest rate of 5.421 percent and will be paid in monthly payments of \$3,591, including interest, through October 2021. The assets under capital leases at December 31, 2019 and 2018, are recorded at cost of \$118,000 and \$157,489, respectively, and accumulated depreciation of \$23,431 and \$32,900, respectively.

Scheduled principal and interest payments on long-term debt and capital lease obligations are as follows:

Years Ending December 31,	Capital Lease Obligations	
	Principal	Interest
2020	\$ 40,007	\$ 3,083
2021	35,033	876
	\$ 75,040	\$ 3,959

Years Ending December 31,	Long-term Debt	
	Principal	Interest
2020	\$ -	\$ -
2021	2,973,075	-
	\$ 2,973,075	\$ -

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs increased significantly in 2019 due to a change in the method of calculating and recording the allowance for doubtful accounts. In 2019, all accounts aged over 180 days were 100 percent allowed for and were included in the provision for bad debts. In 2018, lower percentages were used, and the allowance for accounts over 180 days was recorded based on the patient's primary payor. The District has not changed its charity care or uninsured discount policies during fiscal year 2019. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2019	2018
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 2,601,055	\$ 2,305,819
Medicaid	1,110,301	487,179
Other third-party payors	4,699,263	4,235,534
Patients	963,795	1,118,167
Colorado supplemental payments	2,301,854	1,701,980
	11,676,268	9,848,679
Less:		
Charity care	176,581	121,383
Provision for bad debts	1,579,925	1,023,710
	9,919,762	8,703,586
Net patient service revenue	\$ 9,919,762	\$ 8,703,586

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

- *Medicare* – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The District is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

8. Net Patient Service Revenue (continued):

- *Medicaid* – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Physician services are reimbursed on a fee schedule.
- *Other* – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$147,000 and decreased by approximately \$408,000 in 2019 and 2018, respectively, due to differences between original estimates and final settlements or revised estimates.

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

The District received approximately \$2,302,000 and \$1,702,000 from supplemental Medicaid payments and the Colorado Indigent Care Program in 2019 and 2018, respectively, to subsidize the cost of caring for Medicaid and uninsured patients.

The District provides charity care to patients who are financially unable to pay for healthcare services they receive. The District's policy is not to pursue collections of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2019 and 2018, were approximately \$183,000 and \$138,000, respectively. The District did not receive any gifts or grants to subsidize charity care services during 2019 or 2018.

9. Contingencies and Commitments:

Medical malpractice claims – The District has professional liability insurance coverage with COPIC Insurance Company. The policy provides protection on a “claims-made” basis whereby claims filed in the current year are covered by the current policy. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has a \$10,000 deductible per claim. The District also maintains excess liability coverage with limits of \$5,000,000 per claim and \$5,000,000 aggregate.

No liability has been accrued for future coverage for acts occurring in this or prior years. Also, it is possible that claims may exceed coverage obtained in any given year.

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

9. Contingencies and Commitments (continued):

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Tax, spending, and debt limitations – At the November 3, 1992, general election, Colorado voters approved an amendment to the Colorado Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR was effective December 31, 1992, and its provisions limit government taxes, spending revenues, and debt without electoral approval.

TABOR, by its terms, applies to local governments such as special districts, but excludes “enterprises,” which are defined as (1) a government owned business, (2) authorized to issue its own debt, and (3) receives less than 10 percent of its annual revenue in grants from all state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR’s language in order to determine its compliance.

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

Purchase commitment – The District entered into a purchase agreement with Canon Medical Systems USA, Inc., in November 2018 for a CT scanner. The CT scanner costs \$374,051 and will be paid for and installed after the new hospital building construction is completed. The hospital completion date is currently scheduled for March 2021.

Noncancellable operating leases – The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining terms in excess of one year:

Years Ending December 31,	Amount
2020	\$ 46,460
2021	30,880
2022	20,916
2023	17,563
2024	8,781
	\$ 124,600

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

10. Deferred Compensation Plan:

The District provides employees with a deferred compensation pension plan in accordance with Internal Revenue Code Section 403(b). The St. Vincent Hospital, Leadville, CO 403(b) Plan (the 403(b) Plan) allows for employee and employer contributions. Employer contributions are at the discretion of the District’s Board of Directors. Employees automatically become eligible to contribute as of beginning employment. Total employee pension contributions were approximately \$136,000 and \$84,000 for 2019 and 2018, respectively. Total employer pension contributions were approximately \$2,000 and \$23,000 for 2019 and 2018, respectively.

The District is also the administrator of a deferred compensation pension plan in accordance with Internal Revenue Code Section 401(a). The District discontinued contributions to the plan in January 2015. The St. Vincent General Hospital District Employees Pension Plan (the 401(a) Plan) is a defined contribution plan available to full-time employees with at least one year of service who have reached age 21. Plan participants vest in contributions based on a six-year vesting schedule. The 401(a) Plan allows for employer contributions only. There were no contributions to the 401(a) Plan in 2019 or 2018.

The 403(b) Plan and the 401(a) Plan are administered by the District. The District may amend the provisions of the plans at its discretion.

11. Concentration of Credit Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The following is the mix of receivables from patients and third-party payors reported by the District:

	2019	2018
Medicare	6 %	10 %
Medicaid	7	13
Other third-party payors	29	29
Patients	58	48
	100 %	100 %

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

12. Intergovernmental Agreement:

Lake County voters approved an increase in county tax levies for 2016 to fund an intergovernmental agreement between the county and the District. The agreement was entered into September 2015. The agreement was effective beginning January 1, 2016. Per the agreement, the District will provide ambulance services for the county, and the county will pay the District \$750,000 per year from the tax revenues, through 2040.

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

13. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. The District has seen significant declines in patient volumes starting in March when the State of Colorado temporarily suspended elective procedures.

State and federal governments are providing emergency funding to help hospitals overcome these negative effects. The District has received CARES Act Provider Relief Funding of approximately \$3,435,000 subsequent to year end.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2020, increasing Medicare reimbursement by 2 percent.

The District has also received Medicare accelerated payments of \$1,290,118 subsequent to year end. The Medicare accelerated payments will begin to be repaid within 120 days of receipt.

The District also entered into a loan for \$997,400 in April 2020 as part of the Small Business Administration Paycheck Protection Program, also a part of the federal government's response to the pandemic. The loan bears interest at 1 percent and matures in April 2022. The loan has the potential to be forgiven in full or in part based on certain payroll and other costs incurred in the eight-week period following the date of first disbursement of the loan funds.

The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

SUPPLEMENTARY INFORMATION

St. Vincent General Hospital District
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2019

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 9,919,762	\$ 9,948,000	\$ (28,238)
County ambulance services contract	764,838	750,000	14,838
Other	41,299	50,000	(8,701)
Total operating revenues	10,725,899	10,748,000	(22,101)
<i>Operating expenses</i>			
Salaries and wages	5,139,432	4,894,286	(245,146)
Employee benefits	1,141,737	1,468,286	326,549
Professional fees and other purchased services	2,042,293	1,743,428	(298,865)
Supplies	734,177	765,000	30,823
Depreciation and amortization	419,677	400,000	(19,677)
Insurance	164,780	156,000	(8,780)
Utilities	148,530	165,000	16,470
Repairs and maintenance	326,656	300,000	(26,656)
Leases and rentals	58,107	98,000	39,893
Provider fees	166,321	240,000	73,679
Other	205,095	325,000	119,905
Total operating expenses	10,546,805	10,555,000	8,195
<i>Operating income (loss)</i>	179,094	193,000	(13,906)
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	1,007,168	943,607	63,561
Other nonoperating revenue	77,817	42,701	35,116
Interest expense	(14,944)	(240,000)	225,056
Tax collection cost	-	(28,308)	28,308
Debt issuance costs	(660,600)	-	(660,600)
Total nonoperating revenues, net	409,441	718,000	(308,559)
Change in net position before capital grants	588,535	911,000	(322,465)
<i>Capital grants</i>	113,381	125,000	(11,619)
Change in net position	\$ 701,916	\$ 1,036,000	\$ (334,084)

See accompanying independent auditors' report.

SINGLE AUDIT

AUDITORS' SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Vincent General Hospital District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 20, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 20, 2020



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the District's Major Federal Program

We have audited St. Vincent General Hospital District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2019. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the District's major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the District's Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 20, 2020

**St. Vincent General Hospital District
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2019**

Section I — Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**St. Vincent General Hospital District
 Schedule of Audit Findings and Questioned Costs (Continued)
 Year Ended December 31, 2019**

Section II — Financial Statement Findings

2019-001 Auditor Detected Journal Entry

<i>Criteria</i>	[] Compliance Finding [] Significant Deficiency [X] Material Weakness
<i>Condition</i>	There was a material adjustment to record debt issuance cost identified, proposed, and prepared by the audit team.
<i>Context</i>	This finding appears to be the result of one isolated incident.
<i>Cause</i>	The District recorded debt issuance cost as a component of construction in progress instead of as an expense.
<i>Effect</i>	Financial reports may be inaccurate and could affect management’s and Board of Directors’ decision making.
<i>Recommendation</i>	The District should verify all appropriate adjustments are posted when closing the books each year.
<i>View of responsible officials and planned corrective actions</i>	St. Vincent General Hospital District entered into a construction loan agreement with Western Alliance Bank on 8/5/2019. Included in the terms of the loan was the funding of \$680,000 for “Cost of Issuance.” These costs included fees for Lender Origination, Placement Agent, Bond Counsel, Lender’s Counsel, and Origination Fees. At the time of the funding, the cost was recorded to Construction in Progress on the Balance Sheet. It was brought to our attention by Joe Lodge, DZA Senior Manager, during the 2019 interim cost report preparation these fees should have been expensed per a recent GASB pronouncement. This action was noted, and the Board of Directors were informed at the regular board meetings that at year end, an adjustment would result in a decrease of net income of \$680,000. Due to the need to report current operating performance, this adjustment was not made until the 2019 audit was completed and the final adjustments were made at year end.

Section III — Federal Award Findings and Questioned Costs

No matters were reported.

AUDITEE'S SECTION

**St. Vincent General Hospital District
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Agriculture		
Direct Program		
Community Facilities Loans and Grants	10.766	\$ 2,973,075
Total expenditures of federal awards		\$ 2,973,075

See accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of St. Vincent General Hospital District (the District) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presented only a selected portion of the operations of the District, it is not intended to and does not present the net position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Loan Guarantee:

Included in the accompanying schedule of expenditures of federal awards are funds spent on the District's construction of a new critical access hospital facility. The construction is being funded by interim financing from Western Alliance Business Trust. A United States Department of Agriculture Rural Development Direct Loan will repay the interim financing when construction is completed. The balance of the interim financing at December 31, 2019, was \$2,973,075.

**St. Vincent General Hospital District
Corrective Action Plan
Year Ended December 31, 2019**



The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II – *Financial Statement Findings*.

Current year audit findings:

2019-001 Auditor Detected Journal Entry

<i>Corrective action planned:</i>	Adjusting Journal Entry posted to Income Statement effective 12/31/19.
<i>Anticipated completion date:</i>	May 12, 2020
<i>Contact person responsible for corrective action:</i>	Janet Petty, Chief Financial Officer