

St. Vincent General Hospital District

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2020 and 2019



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

**St. Vincent General Hospital District
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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, 2020 and 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.

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 an opinion 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 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, 2020 and 2019, 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 14 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 14. 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 basic financial statements as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of budget and actual revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, 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 for the year ended December 31, 2020. We issued a similar report for the year ended December 31, 2019, dated May 20, 2020, which has not been included with the 2020 financial and compliance report. 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
June 16, 2021

St. Vincent General Hospital District
Statements of Net Position
December 31, 2020 and 2019

ASSETS	2020	2019
<i>Current assets</i>		
Cash and cash equivalents	\$ 4,507,565	\$ 674,936
Receivables:		
Patient accounts	1,231,328	1,064,684
Property taxes	1,235,446	1,146,024
Inventories	174,983	159,388
Other current assets	163,227	23,333
Total current assets	7,312,549	3,068,365
<i>Noncurrent assets</i>		
Cash and cash equivalents designated by Board for capital additions	1,172,988	491,314
Cash and cash equivalents restricted for debt service	197,125	53,221
Cash and cash equivalents restricted for unemployment claims reserves	145,234	142,921
Capital assets, net	18,540,791	6,465,288
Total noncurrent assets	20,056,138	7,152,744
Total assets	\$ 27,368,687	\$ 10,221,109
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 212,200	\$ 208,125
Accrued compensation and related liabilities	482,972	312,564
Capital accounts payable	1,616,407	-
Accrued interest payable	38,745	-
Estimated third-party payor settlements	18,000	666,000
Current maturities of long-term debt	35,032	40,007
Unearned CARES Act Provider Relief Fund	3,216,873	-
Medicare accelerated payments payable	1,290,118	-
Total current liabilities	6,910,347	1,226,696
<i>Long-term debt, net of current maturities</i>	12,345,831	3,008,108
Total liabilities	19,256,178	4,234,804
<i>Deferred inflows of resources, property tax levy</i>	1,235,428	1,146,024
Total liabilities and deferred inflows of resources	20,491,606	5,380,828
<i>Net position</i>		
Net investment in capital assets	4,504,776	3,417,173
Unrestricted	2,133,047	1,280,187
Restricted	239,258	142,921
Total net position	6,877,081	4,840,281
Total liabilities, deferred inflows of resources, and net position	\$ 27,368,687	\$ 10,221,109

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, 2020 and 2019

	2020	2019
<i>Operating revenues</i>		
Net patient service revenue	\$ 11,549,239	\$ 9,919,762
County ambulance services contract	750,000	764,838
Other	56,981	41,299
Total operating revenues	12,356,220	10,725,899
<i>Operating expenses</i>		
Salaries and wages	6,188,626	5,139,432
Employee benefits	1,302,754	1,141,737
Professional fees and other purchased services	2,742,458	2,042,293
Supplies	935,562	734,177
Depreciation and amortization	352,613	419,677
Insurance	119,886	164,780
Utilities	174,283	148,530
Repairs and maintenance	368,493	326,656
Leases and rentals	67,274	58,107
Provider fees	269,586	166,321
Other	551,243	205,095
Total operating expenses	13,072,778	10,546,805
<i>Operating income (loss)</i>	(716,558)	179,094
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	1,198,744	1,007,168
Other nonoperating revenue	235,511	77,817
CARES Act Provider Relief Fund	286,403	-
Interest expense	(237,714)	(14,944)
Debt issuance costs	-	(660,600)
Total nonoperating revenues, net	1,482,944	409,441
Change in net position before capital grants and gain on forgiveness of Paycheck Protection Program loan	766,386	588,535
<i>Capital grants</i>	273,014	113,381
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	997,400	-
Change in net position	2,036,800	701,916
Net position, beginning of year	4,840,281	4,138,365
Net position, end of year	\$ 6,877,081	\$ 4,840,281

See accompanying notes to basic financial statements.

St. Vincent General Hospital District
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 10,734,595	\$ 10,100,889
Receipts from county ambulance services contract	750,000	764,838
Other receipts	66,623	99,977
Payments to and on behalf of employees	(7,320,972)	(6,411,064)
Payments to suppliers and contractors	(5,389,841)	(3,784,596)
Net cash provided by (used in) operating activities	(1,159,595)	770,044
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	1,198,726	1,007,168
Proceeds from CARES Act Provider Relief Fund	3,503,276	-
Proceeds from Medicare accelerated payments	1,290,118	-
Proceeds from Paycheck Protection Program loan	997,400	-
Other receipts	187,982	32,024
Net cash provided by noncapital financing activities	7,177,502	1,039,192
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(10,811,709)	(3,405,411)
Proceeds from capital grants	273,014	113,381
Proceeds from issuance of long-term debt	9,372,756	2,973,075
Principal paid on long-term debt	(40,008)	(644,581)
Interest paid on long-term debt	(198,969)	(14,944)
Debt issuance costs	-	(660,600)
Net cash used in capital and related financing activities	(1,404,916)	(1,639,080)
<i>Cash flows from investing activities</i>		
Investment income	47,529	45,793
Net increase in cash and cash equivalents	4,660,520	215,949
Cash and cash equivalents, beginning of year	1,362,392	1,146,443
Cash and cash equivalents, end of year	\$ 6,022,912	\$ 1,362,392

See accompanying notes to basic financial statements.

**St. Vincent General Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019**

	2020	2019
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 4,507,565	\$ 674,936
Cash and cash equivalents designated by Board for capital additions	1,172,988	491,314
Cash and cash equivalents restricted for debt service	197,125	53,221
Cash and cash equivalents restricted for unemployment claims reserves	145,234	142,921
Total Cash and Cash Equivalents	\$ 6,022,912	\$ 1,362,392
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>		
Operating income (loss)	\$ (716,558)	\$ 179,094
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	352,613	419,677
Provision for bad debts	979,492	1,579,925
(Increase) decrease in assets:		
Patient accounts receivable	(1,146,136)	(1,517,798)
Estimated third-party payor settlements	-	332,000
Inventories	(15,595)	(11,340)
Other current assets	(139,894)	120,993
Increase (decrease) in liabilities:		
Accounts payable	4,075	10,388
Accrued compensation and related liabilities	170,408	(129,895)
Estimated third-party payor settlements payable	(648,000)	(213,000)
Net cash provided by (used in) operating activities	\$ (1,159,595)	\$ 770,044

See accompanying notes to basic financial statements.

**St. Vincent General Hospital District
Notes to Basic Financial Statements
Years Ended December 31, 2020 and 2019**

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, 2020 and 2019**

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 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on the previously reported change in net position.

Subsequent events – The District has evaluated subsequent events and transactions through June 16, 2021, 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, 2020 and 2019**

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.

Change in accounting principle – 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. The District adopted GASB 89 in 2020 and it was applied on a prospective basis.

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 certificates of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

The District's deposits 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, 2020 and 2019

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, 2020 or 2019.

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, 2020, increased significantly compared to the balance as of December 31, 2019, 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:

	2020	2019
Receivable from patients and their insurance carriers	\$ 3,538,871	\$ 2,717,380
Receivable from Medicare	663,496	243,745
Receivable from Medicaid	54,008	50,210
Total patient accounts receivable	4,256,375	3,011,335
Less allowance for uncollectible accounts	(3,025,047)	(1,946,651)
Patient accounts receivable, net	\$ 1,231,328	\$ 1,064,684

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

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 2020, the District's regular tax levy was \$9.106 per \$1,000 on a total assessed valuation of \$125,855,951, for a total regular levy of \$1,146,024.

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.

5. Capital Assets:

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

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ 3,851,624	\$ 11,306,178	\$ -	\$ -	\$ 15,157,802
<i>Capital assets being depreciated</i>					
Land improvements	142,920	-	-	-	142,920
Buildings and improvements	5,705,352	352,920	-	-	6,058,272
Major movable equipment	7,038,404	769,018	-	-	7,807,422
Total capital assets being depreciated	12,886,676	1,121,938	-	-	14,008,614
<i>Less accumulated depreciation for</i>					
Land improvements	142,406	166	-	-	142,572
Buildings and improvements	3,820,951	131,328	-	-	3,952,279
Major movable equipment	6,309,655	221,119	-	-	6,530,774
Total accumulated depreciation	10,273,012	352,613	-	-	10,625,625
<i>Total capital assets being depreciated, net</i>	2,613,664	769,325	-	-	3,382,989
Capital assets, net	\$ 6,465,288	\$ 12,075,503	\$ -	\$ -	\$ 18,540,791

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

5. Capital Assets (continued):

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	\$ 3,184,827	\$ (17,278)	\$ -	\$ 3,851,624
<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	\$ 3,002,884	\$ (17,150)	\$ -	\$ 6,465,288

Construction in progress at December 31, 2020, consisted of costs for the construction of a new hospital building. The estimated completion cost of the building is \$7,842,000, and the estimated completion date will be in August 2021.

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

6. Long-term Debt and Other Noncurrent Liabilities:

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

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
Construction loan	\$ 2,973,075	\$ 9,372,756	\$ -	\$ 12,345,831	\$ -
Capital lease obligations	75,040	-	(40,008)	35,032	35,032
Total long-term debt and other noncurrent liabilities	\$ 3,048,115	\$ 9,372,756	\$ (40,008)	\$ 12,380,863	\$ 35,032

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
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

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

- 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 direct loan will bear interest at 2.375 percent. The guaranteed loan will bear interest at 5.5 percent. The loans will mature in 2056. Payments will begin on the loans in 2021 after the new hospital building construction is completed.
- 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, 2020 and 2019, are recorded at cost of \$118,000 and accumulated depreciation of \$40,288 and \$23,431, respectively.

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

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

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

Year Ending December 31,	Capital Lease Obligations	
	Principal	Interest
2021	\$ 35,032	\$ 876

Year Ending December 31,	Long-term Debt	
	Principal	Interest
2021	\$ 12,345,831	\$ -

7. Paycheck Protection Program Loan:

In April 2020, the District was granted a loan from Western Alliance Bank in the aggregate amount of \$997,400, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP loan was used to cover payroll costs. The PPP loan was forgiven on December 7, 2020. The loan forgiveness is recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position.

St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

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 decreased significantly in 2020 due to less timely writeoffs to collection. The District has not changed its charity care or uninsured discount policies during fiscal year 2020. 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:

	2020	2019
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 4,815,322	\$ 2,601,055
Medicaid	949,105	1,110,301
Other third-party payors	4,139,343	4,699,263
Patients	1,039,557	963,795
Colorado supplemental payments	1,834,642	2,301,854
	12,777,969	11,676,268
Less:		
Charity care	249,238	176,581
Provision for bad debts	979,492	1,579,925
	11,549,239	9,919,762
Net patient service revenue	\$ 11,549,239	\$ 9,919,762

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, 2020 and 2019**

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 \$681,000 and \$147,000 in 2020 and 2019, 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 \$1,835,000 and \$2,302,000 from supplemental Medicaid payments and the Colorado Indigent Care Program in 2020 and 2019, 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, 2020 and 2019, were approximately \$277,000 and \$183,000, respectively. The District did not receive any gifts or grants to subsidize charity care services during 2020 or 2019.

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, 2020 and 2019**

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 July 2021.

Noncancelable 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
2021	\$ 51,433
2022	35,817
2023	32,464
	\$ 119,714

**St. Vincent General Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

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 at the beginning of employment. Total employee pension contributions were approximately \$146,000 and \$136,000 for 2020 and 2019, respectively. Total employer pension contributions were approximately \$-0- and \$2,000 for 2020 and 2019, 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 2020 or 2019.

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:

	2020	2019
Medicare	12 %	6 %
Medicaid	6	7
Other third-party payors	16	29
Patients	66	58
	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 in 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, 2020 and 2019**

13. CARES Act Provider Relief Fund:

By December 2020, the District had received \$3,503,276 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributed to coronavirus. The District has recorded these funds as deferred grant revenue until eligible expenses or lost revenues are recognized. During the year ended December 31, 2020, the District recognized \$286,403 of grant revenue from these funds. The hospital had \$3,216,873 remaining funds as of December 31, 2020, to use for healthcare-related expenses or lost revenues that are attributed to coronavirus in the next fiscal year.

14. 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 2020 when the state of Colorado temporarily suspended elective procedures.

State and federal governments are providing emergency funding to help hospitals overcome these negative effects.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2021, increasing Medicare reimbursement by 2 percent.

The District has also received Medicare accelerated payments of \$1,290,118 in October 2020. The Medicare accelerated payments will begin to be repaid one year after receiving the funds.

The District also entered into a Small Business Administration Paycheck Protection Program loan described in Note 7, also a part of the federal government's response to the pandemic.

In addition to accepting funding from the CARES Act Provider Relief Fund and the other funding sources noted above, in May 2020, the District resumed the services that had been temporarily suspended. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

15. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by \$884,053 in 2020.

16. Subsequent Events:

In September 2020, the District was awarded a grant in the amount of \$535,297 from the Department of Local Affairs for the purchase and installation of surgical suite equipment at the new hospital building. The District did not receive the grant funds as part of the construction project until 2021.

SUPPLEMENTARY INFORMATION

St. Vincent General Hospital District
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2020

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 11,549,239	\$ 10,771,488	\$ 777,751
County ambulance services contract	750,000	750,000	-
Other	56,981	24,000	32,981
Total operating revenues	12,356,220	11,545,488	810,732
<i>Operating expenses</i>			
Salaries and wages	6,188,626	5,812,448	(376,178)
Employee benefits	1,302,754	1,743,732	440,978
Professional fees and other purchased services	2,742,458	2,298,036	(444,422)
Supplies	935,562	775,608	(159,954)
Depreciation and amortization	352,613	420,000	67,387
Insurance	119,886	144,000	24,114
Utilities	174,283	173,664	(619)
Repairs and maintenance	368,493	256,434	(112,059)
Leases and rentals	67,274	76,536	9,262
Provider fees	269,586	225,000	(44,586)
Other	551,243	263,267	(287,976)
Total operating expenses	13,072,778	12,188,725	(884,053)
<i>Operating loss</i>	(716,558)	(643,237)	(73,321)
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	1,198,744	1,146,652	52,092
Other nonoperating revenue	235,511	-	235,511
CARES Act Provider Relief Fund	286,403	-	286,403
Interest expense	(237,714)	(900,000)	662,286
Total nonoperating revenues, net	1,482,944	246,652	1,236,292
Change in net position before capital grants and gain on forgiveness of Paycheck Protection Program loan	766,386	(396,585)	1,162,971
<i>Capital grants</i>	273,014	-	273,014
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	997,400	-	997,400
Change in net position	\$ 2,036,800	\$ (396,585)	\$ 2,433,385

See accompanying independent auditors' report.

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, 2020, 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 June 16, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of audit findings and responses as item 2020-001 that we consider to be a significant deficiency.

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 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 District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings and responses. 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
June 16, 2021

**St. Vincent General Hospital District
Schedule of Audit Findings and Responses
Year Ended December 31, 2020**

2020-001 Auditor Detected Journal Entries

<i>Criteria</i>	<input type="checkbox"/> Compliance Finding <input checked="" type="checkbox"/> Significant Deficiency <input type="checkbox"/> Material Weakness Financial statements are used by management and the Board of Directors to make decisions. Therefore, the financial statement should reflect correct balances throughout the year.
<i>Condition</i>	Significant adjustments were necessary to correct cash accounts (\$38,068), tax revenue (\$57,244), capital leases (\$35,032), and accrued interest payable (\$38,745) to properly present the financial statements in accordance with generally accepted accounting principles.
<i>Context</i>	This finding appears to be a systemic problem.
<i>Cause</i>	The processes for reconciliation of statement of net position and statement of revenues, expenses, and changes in net position accounts were not sufficient to identify and correct these misstatements.
<i>Effect</i>	Financial reports may be inaccurate and could affect management's and Board of Directors' decision making.
<i>Recommendation</i>	We recommend all statement of net position accounts be properly reconciled to supporting documentation and that accounts of the statement of revenues, expenses, and changes in net position be monitored and reconciled throughout the year to ensure correct reporting.

**St. Vincent General Hospital District
Schedule of Audit Findings and Responses (Continued)
Year Ended December 31, 2020**

*Management's
Response*

The adjustments recommended by the auditors are agreed upon by the CFO and the Controller. The adjustments to retained earnings and cash were a result of the accounting periods not being closed on a timely basis. Effective January 1, 2021, the period is closed when the monthly financial statements are completed and presented at the Board of Directors monthly meetings.

The adjustment for the capital lease was originally made in 2019 and reversed by the former CFO in 2020. We are in agreement the lease should be reported as a capital lease and amortized monthly. Effective January 1, 2021, the principal payment, depreciation, and interest expense will be reported per the amortization schedule provided by DZA.

The tax revenue adjustment was a result of the recording of the collection fee withheld from the remittance of both the EMS and County mill levy. In order to agree the total amount received to the county reconciliation, the collection fee will not be separated out effective January 1, 2021.

The accrued interest and inventory adjustments have historically been made by the auditors. Effective December 31, 2021, the accrued interest on the permanent loan will be recorded and the inventory balance will be adjusted when the annual inventory count is completed.

We agree and will immediately implement a process to reconcile statement of net position accounts and all revenue and expenses on a monthly and/or quarterly basis. This process began in 2021 with liability and receivable accounts. This includes larger expense accounts including payroll, tax revenue, interest expense and additional material balances.

**St. Vincent General Hospital District
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020**

2019-001 Auditor Detected Journal Entries – Repeated as 2020-001.