St. Vincent General Hospital District

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020

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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of St. Vincent General Hospital District (the District) as of and for the years ended December 31, 2021 and 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.

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, 2021 and 2020, 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.

Basis for Opinion

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

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the District will continue as a going concern. As discussed in Note 15 to the financial statements, the District may not have sufficient cash or other liquid assets to pay for its obligations that will be due in 2023. In addition, the District has suffered losses from operations subsequent to year end that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Management has 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information 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 January 5, 2023, 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, 2021. We issued a similar report for the year ended December 31, 2020, dated June 16, 2021, which has not been included with the 2021 financial compliance report. The purpose of those reports 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. Those reports are 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
January 5, 2023

St. Vincent General Hospital District
Statements of Net Position
December 31, 2021 and 2020

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	$ **207,936**	$ 4,507,565
Receivables:		
Patient accounts	**2,107,006**	1,231,328
Estimated third-party payor settlements	**343,000**	-
Property taxes	**1,374,125**	1,235,446
Inventories	**364,639**	174,983
Other current assets	**155,056**	163,227
Total current assets	**4,551,762**	7,312,549
Noncurrent assets		
Cash and cash equivalents designated by Board for capital additions	**-**	1,172,988
Cash and cash equivalents restricted for debt service	**359,402**	197,125
Cash and cash equivalents restricted for unemployment claims reserves	**59,533**	145,234
Capital assets, net	**29,282,550**	18,540,791
Total noncurrent assets	**29,701,485**	20,056,138
Total assets	$ **34,253,247**	$ 27,368,687

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
Current liabilities		
Accounts payable	$ **269,628**	$ 212,200
Accrued compensation and related liabilities	**909,646**	482,972
Capital accounts payable	**-**	1,616,407
Accrued interest payable	**-**	38,745
Estimated third-party payor settlements	**-**	18,000
Current maturities of long-term debt	**413,351**	35,032
Unearned CARES Act Provider Relief Fund	**25,275**	3,216,873
Medicare accelerated payments payable	**770,854**	1,290,118
Total current liabilities	**2,388,754**	6,910,347
Long-term debt, net of current maturities	**21,386,649**	12,345,831
Total liabilities	**23,775,403**	19,256,178
Deferred inflows of resources, property tax levy	**1,374,125**	1,235,428
Total liabilities and deferred inflows of resources	**25,149,528**	20,491,606
Net position		
Net investment in capital assets	**7,482,550**	4,504,776
Unrestricted	**1,202,234**	2,029,946
Restricted	**418,935**	342,359
Total net position	**9,103,719**	6,877,081
Total liabilities, deferred inflows of resources, and net position	$ **34,253,247**	$ 27,368,687

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, 2021 and 2020

	2021	2020
Operating revenues		
Net patient service revenue	**$ 15,794,056**	$ 11,549,239
County ambulance services contract	**755,625**	750,000
Other	**52,913**	56,981
Total operating revenues	**16,602,594**	12,356,220
Operating expenses		
Salaries and wages	**8,315,238**	6,188,626
Employee benefits	**1,706,843**	1,302,754
Professional fees and other purchased services	**4,079,061**	2,742,458
Supplies	**2,014,307**	935,483
Depreciation and amortization	**923,901**	352,613
Insurance	**90,725**	119,886
Utilities	**334,077**	174,283
Repairs and maintenance	**292,402**	368,493
Leases and rentals	**242,548**	67,274
Provider fees	**320,242**	269,586
Other	**694,900**	551,322
Total operating expenses	**19,014,244**	13,072,778
Operating loss	**(2,411,650)**	(716,558)
Nonoperating revenues (expenses)		
Taxation for operations	**1,292,138**	1,198,744
Other nonoperating revenue	**128,044**	235,511
CARES Act Provider Relief Fund	**3,415,883**	286,403
Interest expense	**(730,366)**	(237,714)
Debt issuance costs	**(115,568)**	-
Total nonoperating revenues, net	**3,990,131**	1,482,944
Change in net position before capital grants and gain on forgiveness of Paycheck Protection Program loan	**1,578,481**	766,386
Capital grants	**648,157**	273,014
Gain on forgiveness of Paycheck Protection Program loan	**-**	997,400
Change in net position	**2,226,638**	2,036,800
Net position, beginning of year	**6,877,081**	4,840,281
Net position, end of year	**$ 9,103,719**	$ 6,877,081

See accompanying notes to basic financial statements.

St. Vincent General Hospital District
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 14,557,378**	$ 10,734,595
Receipts from county ambulance services contract	**755,625**	750,000
Other receipts	**7,556**	66,623
Payments to and on behalf of employees	**(9,595,407)**	(7,320,972)
Payments to suppliers and contractors	**(8,146,962)**	(5,389,841)
Net cash from operating activities	**(2,421,810)**	(1,159,595)
Cash flows from noncapital financing activities		
Taxation for operations	**1,292,156**	1,198,726
Proceeds from CARES Act Provider Relief Fund	**224,285**	3,503,276
Proceeds from Medicare accelerated payments	**-**	1,290,118
Repayment of Medicare accelerated payments	**(519,264)**	-
Proceeds from Paycheck Protection Program loan	**-**	997,400
Other receipts	**86,885**	187,982
Net cash from noncapital financing activities	**1,084,062**	7,177,502
Cash flows from capital and related financing activities		
Purchase of capital assets	**(13,275,567)**	(10,811,709)
Proceeds from capital grants	**648,157**	273,014
Proceeds from issuance of long-term debt	**9,454,169**	9,372,756
Principal paid on long-term debt	**(35,032)**	(40,008)
Interest paid on long-term debt	**(769,111)**	(198,969)
Debt issuance costs	**(115,568)**	-
Net cash from capital and related financing activities	**(4,092,952)**	(1,404,916)
Cash flows from investing activities		
Investment income	**34,659**	47,529
Net change in cash and cash equivalents	**(5,396,041)**	4,660,520
Cash and cash equivalents, beginning of year	**6,022,912**	1,362,392
Cash and cash equivalents, end of year	**$ 626,871**	$ 6,022,912

See accompanying notes to basic financial statements.

St. Vincent General Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	**$ 207,936**	$ 4,507,565
Cash and cash equivalents designated by Board for capital additions	**-**	1,172,988
Cash and cash equivalents restricted for debt service	**359,402**	197,125
Cash and cash equivalents restricted for unemployment claims reserves	**59,533**	145,234
Total cash and cash equivalents	**$ 626,871**	$ 6,022,912
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	**$ (2,411,650)**	$ (716,558)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	**923,901**	352,613
Provision for bad debts	**1,409,018**	979,492
(Increase) decrease in assets:		
Patient accounts receivable	**(2,284,696)**	(1,146,136)
Estimated third-party payor settlements	**(343,000)**	-
Inventories	**(189,656)**	(15,595)
Other current assets	**8,171**	(139,894)
Increase (decrease) in liabilities:		
Accounts payable	**57,428**	4,075
Accrued compensation and related liabilities	**426,674**	170,408
Estimated third-party payor settlements payable	**(18,000)**	(648,000)
Net cash from operating activities	**$ (2,421,810)**	$ (1,159,595)

See accompanying notes to basic financial statements.

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

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.

Subsequent events – The District has evaluated subsequent events and transactions through January 5, 2023, the date on which the financial statements were available to be issued.

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.

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.

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, 2021 or 2020.

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, 2021, increased significantly compared to the balance as of December 31, 2020, 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:

	2021	2020
Receivable from patients and their insurance carriers	**$ 5,770,463**	$ 3,538,871
Receivable from Medicare	**631,179**	663,496
Receivable from Medicaid	**133,898**	54,008
Total patient accounts receivable	**6,535,540**	4,256,375
Less allowance for uncollectible accounts	**(4,428,534)**	(3,025,047)
Patient accounts receivable, net	**$ 2,107,006**	$ 1,231,328

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 2021, the District's regular tax levy was $9,542 per $1,000 on a total assessed valuation of $128,998,597, for a total regular levy of $1,230,904.

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.

5. Capital Assets:

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

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Capital assets not being depreciated					
Construction in progress	$ 15,157,802	$ 8,263,864	$ -	$ (23,421,666)	**$ -**
Capital assets being depreciated					
Land improvements	142,920	-	-	1,079,153	**1,222,073**
Buildings and improvements	6,058,272	75,286	-	22,204,587	**28,338,145**
Major movable equipment	7,807,422	3,326,510	(6,000)	137,926	**11,265,858**
Total capital assets being depreciated	14,008,614	3,401,796	(6,000)	23,421,666	**40,826,076**
Less accumulated depreciation for					
Land improvements	142,572	18,153	-	-	**160,725**
Buildings and improvements	3,952,279	446,560	-	-	**4,398,839**
Major movable equipment	6,530,774	459,188	(6,000)	-	**6,983,962**
Total accumulated depreciation	10,625,625	923,901	(6,000)	-	**11,543,526**
Total capital assets being depreciated, net	3,382,989	2,477,895	-	23,421,666	**29,282,550**
Capital assets, net	**$ 18,540,791**	**$ 10,741,759**	**$ -**	**$ -**	**$ 29,282,550**

5. Capital Assets (continued):

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
Capital assets not being depreciated					
Construction in progress	$ 3,851,624	$ 11,306,178	$ -	$ -	**$ 15,157,802**
Capital assets being depreciated					
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**
Less accumulated depreciation for					
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**
Total capital assets being depreciated, net	2,613,664	769,325	-	-	**3,382,989**
Capital assets, net	**$ 6,465,288**	**$ 12,075,503**	**$ -**	**$ -**	**$ 18,540,791**

6. Long-term Debt and Other Noncurrent Liabilities:

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

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
USDA 2021A-1 bonds payable	$ -	$ 9,000,000	$ -	$ 9,000,000	**$ 175,333**
USDA 2021A-2 bonds payable	-	8,290,000	-	8,290,000	**161,511**
Colliers Mortgage note payable - guaranteed	-	4,059,000	-	4,059,000	**68,856**
Colliers Mortgage note payable - unguaranteed	-	451,000	-	451,000	**7,651**
Construction loan	12,345,831	9,454,169	(21,800,000)	-	**-**
Capital lease obligations	35,032	-	(35,032)	-	**-**
Total long-term debt and other noncurrent liabilities	$ 12,380,863	$ 31,254,169	$ (21,835,032)	$ 21,800,000	**$ 413,351**

	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**

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 a new hospital building. The construction loan bore interest at 4.11 percent, with interest-only payments due monthly. The loan balance was based on the draws on the loan as construction progressed. There were no scheduled principal payments since it was to be refinanced at the end of the construction. The United States Department of Agriculture refinanced the construction loan once construction was completed via direct loans in the form of the 2021A-1 bonds payable in the amount of $9,000,000 and the 2021A-2 bonds payable in the amount of $8,290,000 and a guaranteed loan through Colliers Mortgage of $4,059,000. The Districted obtained an additional, unguaranteed loan through Colliers Mortgage to help finance the hospital building construction in the amount of $451,000. The direct loans bear interest at 2.125 percent and mature in December 2056. The guaranteed loan bears interest at 3.85 percent and matures in December 2051. The unguaranteed loan bears interest at 7.5 percent and matures in December 2051. Payments will begin on the loans in January 2022.

- 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 ended in 2021.

The USDA and Colliers Mortgage loans include financial covenants and reporting requirements that must be complied with as a condition of the loans. The District was not in compliance at December 31, 2021. As a result, the District is working with the lenders to develop a plan for compliance.

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

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

Years Ending	**Long-term Debt**	
December 31,	**Principal**	**Interest**
2022	$ 413,351	$ 553,071
2023	423,873	542,549
2024	433,194	533,228
2025	445,774	520,648
2026	457,213	509,209
2027-2031	2,467,939	2,364,171
2032-2036	2,806,350	2,025,760
2037-2041	3,199,815	1,632,296
2042-2046	3,654,226	1,177,885
2047-2051	4,186,968	650,117
2052-2056	3,311,297	181,603
	$ 21,800,000	**$ 10,690,537**

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.

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 2021 due to an increase in uninsured patients. The District has not changed its charity care or uninsured discount policies during fiscal year 2021. 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:

	2021	**2020**
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 5,716,949**	$ 4,815,322
Medicaid	**1,239,203**	949,105
Other third-party payors	**6,239,074**	4,139,343
Patients	**1,721,968**	1,039,557
Colorado supplemental payments	**2,701,074**	1,834,642
	17,618,268	12,777,969
Less:		
Charity care	**415,194**	249,238
Provision for bad debts	**1,409,018**	979,492
Net patient service revenue	**$ 15,794,056**	$ 11,549,239

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.

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 $48,000 and $681,000 in 2021 and 2020, 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 $2,701,000 and $1,835,000 from supplemental Medicaid payments and the Colorado Indigent Care Program in 2021 and 2020, 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, 2021 and 2020, were approximately $518,000 and $281,000 respectively. The District did not receive any gifts or grants to subsidize charity care services during 2021 or 2020.

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.

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.

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
2022	$ 312,894
2023	306,531
2024	316,275
2025	325,165
2026	276,878
2027	45,803
	$ 1,583,546

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 $242,000 and $146,000 for 2021 and 2020, respectively. Total employer pension contributions were approximately $45,000 and $-0- for 2021 and 2020, 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 2021 or 2020.

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:

	2021	2020
Medicare	**10 %**	12 %
Medicaid	**8**	6
Other third-party payors	**22**	16
Patients	**60**	66
	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.

13. CARES Act Provider Relief Fund:

By December 2021, the District had received $3,727,561 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 years ended December 31, 2021 and 2020, the District recognized $3,415,883 and $286,403, respectively, of grant revenue from these funds. The hospital had $25,275 remaining funds as of December 31, 2021, to use for healthcare-related expenses or lost revenues that are attributed to coronavirus in the next fiscal year.

14. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by approximately $5,354,000 in 2021.

15. Going Concern:

As indicated in the accompanying financial statements, the District had approximately $274,000 in unrestricted cash as of December 31, 2021, which is approximately 5 days of unrestricted cash on hand. While the District had positive changes in net position for 2021 and 2020, much of this was due to federal government assistance related to the COVID-19 pandemic. No additional COVID-19 funding is expected. The District has continued to see negative cash flows in 2022 and may have insufficient funds for obligations as they come due. Those factors create an uncertainty about the District’s ability to continue as a going concern. District management plans to eliminate its behavioral health program, reduce staffing, obtain short-term financing, reduce other expenses, and pursue other sources of funding, such as the Employee Retention Credit. The ability of the District to continue as a going concern is dependent on the success of these plans. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

16. Subsequent Events:

In March 2022, the District entered into a lease agreement for clinic space. The agreement is for five years with initial monthly payments of $16,800, increasing by 5 percent each year.

In July 2022, the District entered into multiple sale-leaseback agreements for medical equipment. In total, approximately $1.8 million in equipment was sold to ePlus Group, Inc. The District will lease the equipment for three years at a rate of approximately $52,000 per month.

SUPPLEMENTARY INFORMATION

St. Vincent General Hospital District
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2021

	Actual	Budget	Favorable (Unfavorable) Variance
Operating revenues			
Net patient service revenue	**$ 15,794,056**	$ 13,145,099	$ 2,648,957
County ambulance services contract	**755,625**	750,000	5,625
Other	**52,913**	18,832	34,081
Total operating revenues	**16,602,594**	13,913,931	2,688,663
Operating expenses			
Salaries and wages	**8,315,238**	6,562,474	(1,752,764)
Employee benefits	**1,706,843**	1,333,070	(373,773)
Professional fees and other purchased services	**4,079,061**	2,974,747	(1,104,314)
Supplies	**2,014,307**	966,485	(1,047,822)
Depreciation and amortization	**923,901**	517,629	(406,272)
Insurance	**90,725**	188,032	97,307
Utilities	**334,077**	165,690	(168,387)
Repairs and maintenance	**292,402**	402,508	110,106
Leases and rentals	**242,548**	120,517	(122,031)
Provider fees	**320,242**	184,517	(135,725)
Other	**694,900**	244,208	(450,692)
Total operating expenses	**19,014,244**	13,659,877	(5,354,367)
Operating income (loss)	**(2,411,650)**	254,054	(2,665,704)
Nonoperating revenues (expenses)			
Taxation for operations	**1,292,138**	1,174,946	117,192
Other nonoperating revenue	**128,044**	281,259	(153,215)
CARES Act Provider Relief Fund	**3,415,883**	-	3,415,883
Interest expense	**(730,366)**	(627,879)	(102,487)
Debt issuance costs	**(115,568)**	-	(115,568)
Total nonoperating revenues (expenses), net	**3,990,131**	828,326	3,161,805
Change in net position before capital grants	**1,578,481**	1,082,380	496,101
Capital grants	**648,157**	500,000	148,157
Change in net position	**$ 2,226,638**	$ 1,582,380	$ 644,258

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, 2021, 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 January 5, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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Report on 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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 5, 2023

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 Each Major Federal Program

Qualified and Unmodified Opinions

We have audited St. Vincent General Hospital District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

Qualified Opinion on Federal Assistance Listing Number 10.766 – Community Facilities Loans and Grants

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Federal Assistance Listing Number 10.766 – Community Facilities Loans and Grants for the year ended December 31, 2021.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs for the year ended December 31, 2021.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Federal Assistance Listing Number 10.766 – Community Facilities Loans and Grants

As described in the accompanying schedule of audit findings and questioned costs, the District did not comply with requirements regarding Federal Assistance Listing Number 10.766 – Community Facilities Loans and Grants as described in finding numbers 2021-003 for Reporting and 2021-004 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of audit findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as items 2021-003 and 2021-004 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of audit findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
January 5, 2023

St. Vincent General Hospital District
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2021

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?	X yes ___ no
• Significant deficiency(ies) identified?	___ yes X none reported
Type of auditors' report issued on compliance for major federal programs:	
• U.S. Department of Agriculture, Community Facilities Loans and Grants	***Qualified***
• U.S. Department of Health and Human Services, Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	***Unmodified***
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes ___ no

Identification of major federal program:

Assistance Listing Numbers	*Name of Federal Program or Cluster*
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
10.766	Community Facilities Loans and Grants Cluster

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, 2021

Section II – Financial Statement Findings

2021-001 Auditor Detected Journal Entries

Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Financial statements are used by management and the Board of Directors to make decisions. Therefore, the financial statements should reflect correct balances throughout the year.
Condition	Significant adjustments were necessary to correct capital assets ($124,151), depreciation ($268,895), tax collection fees ($57,092), tax revenue ($61,073), interest expense ($127,822), accrued payroll ($177,335), accounts payable ($208,281), Medicare accelerated payments ($52,714), and supplies expense ($37,970) to properly present the financial statements in accordance with generally accepted accounting principles.
Context	This finding appears to be a systemic problem.
Cause	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.
Effect	Financial reports may be inaccurate and could affect management's and Board of Directors' decision making.
Recommendation	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.
View of responsible officials and planned corrective actions	The accounting team is being restructured in both the accounting procedures and software solutions. This allows for a formal month end reconciliation process to take place with adequate procedures for internal controls and approval processes. Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.

Section II – Financial Statement Findings (Continued)

2021-002 Manual Journal Entries

Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Local governmental entities are required to maintain internal controls over financial accounting and reporting systems to ensure public funds are properly safeguarded. Review of manual journal entries reduces the risk of errors and the risk that a single employee could conduct inappropriate or illegal activities, conceal such activities, and not be discovered.
Condition	The review process for manual journal entries is not adequately designed and does not operate effectively enough to prevent, detect, and correct potential misstatements. Many of the manual journal entries posted during the year were not reviewed by someone other than the CFO, who prepared and posted the journal entries.
Context	This finding appears to be a systemic problem.
Cause	There was no consistently followed process during the year to ensure that each manual journal entry was properly reviewed by someone other than the person preparing and posting the entry.
Effect	There is an increased risk of fraudulent or erroneous journal entries being posted to the general ledger and not being detected by the District's internal controls.
Recommendation	All manual journal entries posted to the general ledger should be regularly and thoroughly reviewed by an individual with the training and sufficient knowledge to detect mistakes. Journal entries should not be reviewed by the same individual who posted them. We recommend the controller prepares and posts the manual journal entries and the CFO prints and reviews a report monthly showing all manual journal entries posted during the month, verifying all entries were properly reviewed in accordance with the District's policies. We further recommend providing additional training and explanation to each individual involved with the manual journal entry process to strengthen understanding of what is being reviewed.
View of responsible officials and planned corrective actions	The accounting team is working on formal month end reconciliations and workpapers that allow for a full trial balance reconciliation monthly with proper approvals from the CFO and senior leadership team. Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.

St. Vincent General Hospital District
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

Section III – Federal Award Findings and Questioned Costs

2021-003 Reporting

Program Information:

Federal Agency	United States Department of Agriculture
Assistance Listing Number	10.766 – Community Facilities Loans and Grants Cluster
Criteria	[X] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Under the terms and conditions of the award, the recipient certifies it will provide quarterly financial information, the annual budget, annual financial statements, annual Medicare cost report, and annual debt service reserve calculation to the United States Department of Agriculture and the interim financing lender.
Condition	The District did not submit the quarterly reports for 2021 to the United States Department of Agriculture and the interim financing lender and did not send the annual budget, financial statements, cost report, and debt service reserve calculation to the United States Department of Agriculture.
Context	This finding appears to be a *systemic* problem.
Cause	The District did not have policies or procedures in place surrounding the required reporting. The District also had turnover in management, and the interim management personnel was not aware of all reporting requirements.
Effect	The District is out of compliance with the terms and conditions of the award.
Recommendation	We recommend management implement policies and procedures surrounding the reporting required under the United States Department of Agriculture loan program as well as provide the required reports on a timely basis to all respective parties.
View of responsible officials and planned corrective actions	Effective December 2022, with the new accounting system in place and the changes in the month end process the board and all respective agencies with interest in the financial performance of St. Vincent will be receiving the required reporting timely and with material accuracy. This is a result of the above listed action plan changes as it relates to full reconciliations and reporting. Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.

Section III – Federal Award Findings and Questioned Costs (continued)

2021-004 Debt Service Reserve Fund

Program Information:

Federal Agency	United States Department of Agriculture
Assistance Listing Number	10.766 – Community Facilities Loans and Grants Cluster
Criteria	[X] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Under the terms and conditions of the award, the recipient certifies it establish and fund a debt service reserve fund with one-tenth of the annual debt payments per year until a full year of debt payments is accumulated in the account.
Condition	The District did not establish and fund the required debt service reserve fund.
Context	This finding appears to be a *systemic* problem.
Cause	The District did not have policies or procedures in place surrounding the required debt service reserve fund. The District also had turnover in management, and the interim management personnel was not aware of all USDA loan requirements.
Effect	The District is out of compliance with the terms and conditions of the award.
Recommendation	We recommend management implement policies and procedures surrounding the debt service reserve fund required under the United States Department of Agriculture loan program as well as monitoring to ensure that the proper amount is deposited into the fund each year.
View of responsible officials and planned corrective actions	The senior leadership team, Board of Directors, and other associated counsel are working on a formal cash flow and action plan to increase the reserve and cash flow of the organization to be in compliance with all covenants. These outside partners have supported in these efforts, and we are working through a 120-day plan to get back on track to meet the requirements. The CEO has presented to all interested parties an action plan of changes to be made to the facility and will continue to update the plan to reflect changes as they come available. This includes increased cash flow, reporting and all requirements as it relates to our debt service reserve fund.

AUDITEE'S SECTION

St. Vincent General Hospital District
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Additional Award Identification		Federal Expenditures
U.S. Department of Agriculture Direct Program				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants	10.766	Loan	$	21,800,000
Community Facilities Loans and Grants	10.766	Grant		50,000
Total Community Facilities Loans and Grants Cluster				21,850,000
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	COVID-19		3,504,836
COVID-19 Testing for the Uninsured	93.461	COVID-19		134,421
Total U.S. Department of Health and Human Services				3,639,257
Total expenditures of federal awards			**$**	**25,489,257**

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the 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, 2021. Amounts reported on the Schedule for Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan Rural Distribution are based upon the June 30, 2021 and December 31, 2021, Provider Relief Fund reports. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, 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 allowed under the Uniform Guidance.

3. Loan and 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 was funded by interim financing from Western Alliance Business Trust. A United States Department of Agriculture Rural Development Direct Loan and a Colliers Mortgage loan guaranteed by the United States Department of Agriculture were used to repay the interim financing when construction was completed in 2021. The aggregate balance of the Direct Loan and guaranteed loan at December 31, 2021, was $21,349,000.

St. Vincent Health
Where caring and community meet

St. Vincent General Hospital District
Corrective Action Plan
Year Ended December 31, 2021

The current year Schedule of Audit Findings and Questioned Costs reported two matters in Section II – *Financial Statement Findings* and two matters in Section III – *Federal Award Findings and Questioned Costs.*

Current year audit findings:

2021-001 Auditor Detected Journal Entries

Corrective action planned:	The accounting team is being restructured in both the accounting procedures and software solutions. This allows for a formal month end reconciliation process to take place with adequate procedures for internal controls and approval processes. Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.
Anticipated completion date:	January 1, 2023
Contact person responsible for corrective action:	Kelly Johnston is currently the interim CFO and she is working with her current finance team to delegate duties, overhaul the systems and procedures that resulted in these adjustments. The full time CFO that is assigned will be trained on these functions.

2021-002 Manual Journal Entries

Corrective action planned:	The accounting team is working on formal month end reconciliations and workpapers that allow for a full trial balance reconciliation monthly with proper approvals from the CFO and senior leadership team. Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.
Anticipated completion date:	January 1, 2023
Contact person responsible for corrective action:	Kelly Johnston is currently the interim CFO and she is working with her current finance team to delegate duties, overhaul the systems and procedures that resulted in these adjustments. The full time CFO that is assigned will be trained on these functions.

St. Vincent Health
Where caring and community meet

St. Vincent General Hospital District
Corrective Action Plan (Continued)
Year Ended December 31, 2021

2021-003 Reporting

Corrective action planned:	Effective December 2022, with the new accounting system in place and the changes in the month end process, the board and all respective agencies with interest in the financial performance of St. Vincent will be receiving the required reporting timely and with material accuracy. This is a result of the above listed action plan changes as it relates to full reconciliations and reporting. Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.
Anticipated completion date:	January 1, 2023
Contact person responsible for corrective action:	Kelly Johnston is currently the interim CFO and she is working with her current finance team to delegate duties, overhaul the systems and procedures that resulted in these adjustments. The full-time CFO that is assigned will be trained on these functions.

2021-004 Debt Service Reserve Fund

Corrective action planned:	The senior leadership team, Board of Directors, and other associated counsel are working on a formal cash flow and action plan to increase the reserve and cash flow of the organization to be in compliance with all covenants. These outside partners have supported in these efforts, and we are working through a 120-day plan to get back on track to meet the requirements. The CEO has presented to all interested parties an action plan of changes to be made to the facility and will continue to update the plan to reflect changes as they come available. This includes increased cash flow, reporting and all requirements as it relates to our debt service reserve fund.
Anticipated completion date:	January 1, 2023
Contact person responsible for corrective action:	John Gardner is the current interim CEO and with the support of the CFO will continue to work on these functions over the next 120 days.

St. Vincent General Hospital District
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

2020-001 Auditor Detected Journal Entries

Status:	Not corrected, repeated as 2021-001
Fiscal year of initial occurrence:	2019
Reason for recurrence:	There was turnover in management during the year. 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 misstatements.
Planned corrective action:	Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.
Partial corrective action taken:	The District has acquired and set up QuickBooks and has started using it for account reconciliations.

2020-002 Reporting

Status:	Not corrected, repeated as 2021-003
Fiscal year of initial occurrence:	2020
Reason for recurrence:	The District did not have policies or procedures in place surrounding the required reporting. The District also had turnover in management, and the interim management personnel was not aware of all reporting requirements.
Planned corrective action:	Effective January 1, 2023, the District has moved to QuickBooks Online to start a more simplified and clean reconciliation process. This will also include formal month end reconciliations and workpapers that will reduce the audit suggestions and changes.
Partial corrective action taken:	The District has been having regular communications and working directly with all interested parties to ensure the required reports are submitted.