AUDITED FINANCIAL STATEMENTS

WEST CUSTER COUNTY HOSPITAL DISTRICT

WESTCLIFFE, COLORADO

December 31, 2021 and 2020

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Independent Auditor's Report

September 29, 2022

Board of Directors
West Custer County Hospital District
Westcliffe, Colorado

Opinions

We have audited the accompanying financial statements of the business type activities of the West Custer County 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 respective financial position of the business type activities of the West Custer County Hospital District as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, amoung other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
West Custer County Hospital District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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.

Darren, Ross & DeNardo, Inc.

Management's Discussion and Analysis

West Custer County Hospital District
Management's Discussion and Analysis
For the years ended December 31, 2021, 2020 and 2019

The intent of the management discussion and analysis is to provide highlights of the West Custer County Hospital District's financial activities for the fiscal years ending December 31, 2021, 2020 and 2019. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

District Operations

The District operates as a Special District under the authority of the laws of the State of Colorado, Department of Public Health & Environment. The activities of the District include operating a Chapter IX Rural Health Clinic and an emergency ambulance service referred to as Custer County EMS.

Overview of Financial Statements

The District's basic financial statements include a statement of net position, a statement of revenue, expenses and changes in net position, statement of cash flows and notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The statement of net position (formerly the balance sheet) presents the financial position of the District. It presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the year.

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 7-13 of this report.

Financial Analysis

A condensed summary of the District's statements of revenues, expenses and changes in net position for the years ended December 31 is presented below:

Financial Analysis (Continued)

Program Revenues	2021	2020	Dollar Change	Percent Change	2019	Dollar change	Percent Change
Patient fees - various	$ 603,284	$ 1,489,855	($ 886,571)	(59.51%)	$ 2,242,582	($ 752,727)	(33.57%)
Other operating revenue	47,005	114,037	(67,032)	(58.78%)	124,826	(10,789)	(8.64%)
Administrative adjustments	(329,416)	(808,137)	478,721	59.24%	(1,227,753)	419,616	34.18%
Total Program Revenues	320,873	795,755	(474,882)	(59.68%)	1,139,655	(343,900)	(30.18%)
Program Expenses							
Administration	214,717	287,231	72,514	25.25%	295,706	8,475	2.87%
Ambulance service	697,555	620,075	(77,480)	(12.50%)	595,512	(24,563)	(4.12%)
Central Service & Supply	51,065	146,913	95,848	65.24%	181,480	34,567	19.05%
Laboratory	-	45,769	45,769	100.00%	88,618	42,849	48.35%
Maintenance & operation	29,210	64,266	35,056	54.55%	66,030	1,764	2.67%
Medical	-	352,826	352,826	100.00%	484,507	131,681	27.18%
Pharmacy	-	21,505	21,505	100.00%	25,149	3,644	14.49%
Therapy	-	79,827	79,827	100.00%	117,303	37,476	31.95%
X-Ray	-	2,997	2,997	100.00%	5,079	2,082	40.99%
Optometry	-	5,156	5,156	100.00%	4,750	(406)	(8.55%)
Total Program Expenses	992,547	1,626,565	634,018	38.98%	1,864,134	237,569	12.74%
Nonoperating Revenues and Expenses							
Taxes	962,695	931,283	31,412	3.37%	865,263	66,020	7.63%
Grants and donations	53,772	193,322	(139,550)	(72.19%)	38,300	155,022	404.76%
Investment income	1,556	7,474	(5,918)	(79.18%)	13,144	(5,670)	(43.14%)
Gain/(loss) sale of assets	3,000	(198,011)	201,011	101.52%	(1,842)	(196,169)	(1065.0%)
Other income/expenses	-	-	-	-	-	-	-
Treasurer's fees	(41,510)	(40,407)	(1,103)	(2.73%)	(36,957)	(3,450)	(9.33%)
Net Other Revenues and (Expenses)	979,513	893,661	85,852	9.61%	877,908	15,753	1.79%
Income (Loss) Before Capital Contributions	307,839	62,851	244,988	389.79%	153,429	(90,578)	(59.04%)
Capital Contributions	62,650	108,933	(46,283)	(42.49%)	10,937	97,996	896.0%
Change in Net Position	$ 370,489	$ 171,784	$ 198,705	115.67%	$ 164,366	$ 7,418	4.51%

Program Revenues – Patient Fees

Patient fees decreased by $886,571 compared to 2020. Net program revenue decreased by $474,882 due to COVID shutdowns which resulted in decreased patient visits and also due to the Hospital District contracting out the clinic services to Heart of the Rockies Regional Medical Center effective October 1, 2020, which resulted in patient revenue from clinic operations ceasing on that date.

Operating and Nonoperating Revenues

Nonoperating revenues consist of three primary sources. The most significant source is tax revenues, which include property and specific ownership taxes, totaling $962,695 or an increase from 2020 of $31,412.

Operating and Nonoperating Revenues (Continued)

Grants and donations and capital contributions totaled $53,772 which is a decrease from 2020 of $139,550. Revenues from this source tend to vary from year to year to a greater degree than other revenues dependent upon grant sources available to the District. COVID 19 generated unanticipated funding sources which increased these funds in 2020. These revenues are often restricted to specific purposes such as capital asset purchases.

Other operating revenues include miscellaneous income from various sources.

Total Program Expenses

Total program expenses for the 2021 fiscal year totaled $992,547 compared to the prior year of $1,626,565. This is a decrease of $634,018 or 38.98%. The District had a 12.74% decrease in expenses from 2020 to 2019. Combined expenses are comprised of several major categories or functional expense categories as shown in the table which summarizes the statement of revenues, expenses and changes in net position.

Major Functional Expense Categories

The largest functional expense categories were administration, medical, ambulance and central service and supply. These four categories account for over eighty percent of the total program expenses. The other functional expense categories are maintenance and operation, pharmacy, therapy, optometry and X-ray. Although smaller in total costs, these categories are distinct and important to the overall services provided by the District. After the clinic operations being turned over to Heart of the Rockies the major expense of the District is for the ambulance. There are still some administrative and central service expenses.

A condensed summary of the District's net position at December 31, 2021, 2010 and 2019 is presented below:

Statement of Net Position	2021	2020	Dollar Change	Percent Change	2019	Dollar change	Percent Change
Capital Assets	$ 1,041,671	$ 957,123	$ 84,549	8.83%	$ 1,157,003	($ 199,880)	(17.28%)
Current and Other Assets	2,532,426	2,206,283	326,142	14.78%	1,833,024	373,259	20.36%
Total Assets	3,574,097	3,163,406	410,691	12.98%	2,990,027	173,379	5.80%
Long-Term Liabilities	-	-	-		-	-	-
Other Liabilities	38,133	80,863	42,730	52.84%	99,696	18,833	18.89%
Total Liabilities	38,133	80,863	42,730	52.84%	99,696	18,833	18.89%
Deferred Inflows							
Unearned Property Taxes	913,016	830,084	(82,932)	(9.99%)	809,656	(20,428)	(2.52%)
Net Position							
Invested in Capital Assets, Net of Related Debt	1,041,671	957,123	84,548	8.83%	1,157,003	(199,880)	(17.28%)
Restricted	27,800	33,400	(5,600)	(16.77%)	49,500	(16,100)	(32.52%)
Unrestricted	1,553,477	1,261,936	291,541	23.10%	874,172	389,764	44.59%
Total Net Position	$ 2,622,948	$ 2,252,459	$ 370,489	16.45%	$ 2,080,675	$ 171,784	8.26%

Net Position

The District's financial condition improved from the previous year. During 2021 the District's net position increased by $370,489 primarily from a decrease in program expenses.

Net Position (Continued)
The District's current liabilities which consist of accounts payable and various accruals, decreased from 2020 in the amount of $42,730 as shown in the above table.

The net position of the District is reported in three categories. At December 31, 2021, $1,041,671 was invested in capital assets, net of related debt. This represents capital assets being used in the District's operations which are not otherwise available for appropriation since they do not represent liquid resources which could be spent. Total restricted net position consists of $27,800 for the emergency reserve required by the provisions of TABOR. Unrestricted net position represents those which are not restricted by external requirements on their use or are otherwise unavailable by their nature.

Capital Expenditures
During 2021, the District expended $163,073 in capital asset additions.

Long Term Debt
The District had no long-term debt outstanding as of December 31, 2021, 2020, or 2019.

Budget Highlights and Future Projects of the District
Health Care in rural Colorado is generally subsidized by their communities. This District has received this subsidized support for many years. As such, direct losses from operations is expected with shortfalls to be made up through mill levy tax revenues and donations. Below are other key highlights of past and future events of the Hospital District.

1. Mill levy and specific ownership taxes allocated to departments within the District on the financial statements may not necessarily restrict those funds to be utilized only in that department, but the allocation chosen is an internal reporting mechanism implemented to assist in providing a better visual picture of each department and may be subject to review and reallocation in the future.
2. EMS staffing remained stable in 2020. Positive traction was made in 2020 in securing Advanced Life Support personnel and since late spring 2020, there has been a Paramedic on duty 24/7. There remain six full-time positions available in EMS and all open positions are filled. We have also made improvement on off-duty staff responding to 2nd calls but having a guaranteed on-call crew remains elusive.
3. The long-term viability of Custer County EMS is always reviewed. The operations have stabilized, and the increased funds received through the new Medicaid cost report has improved the financial status of Custer County EMS.
4. The District is very close to completing its goal to become a provider-based facility. A contract to partner with Heart of the Rockies Medical Center (HRRMC) was signed in April of 2020 and operations of the clinic were turned over to HRRMC on October 1, 2020. HRRMC will operate under the name of Custer County Health Center (CCHC). The Hospital District will continue to support the local medical clinic with mill levy funds. The Clinic will officially be a facility owned by WCCHD and ran by HRRMC. HRRMC secured a full-time medical doctor to join the practice and have brought in additional services to the community including free pharmacy daily deliveries, gynecology, orthopedics, audiology and cardiology. Becoming a provider-based rural health center will go a long way to ensure sustainability of the clinic. Additionally, HRRMC purchased a patient transport van that allows Custer County residents free transport for medical appoints at HRRMC in Salida. Data also indicates increasing use of this service.

5. In May of 2020, the Executive Director resigned. With the pending partnership with HRRMC, HRRMC secured a new clinic director to oversee the current clinic operations through a contract. This director will remain and oversee the new CCHC. The Board treasurer stepped in to assist in the Executive Director duties of the Hospital District until such time that the HRRMC partnership was finalized. A search for an Executive Director will be completed once the clinic operations are successfully turned over to HRRMC.
6. The clinic was awarded a 60/40 USAC grant to pull in a dedicated 200MG fiber line. This was completed in July of 2019 and allowed the hospital district to upgrade its outdated technology. All new computer systems were purchased along with a new electronic health record system Aprima. Aprima is the same software that HRRMC uses and will facilitate a smooth transition of patient records and care as HRRMC takes over.
7. HRRMC applied for on behalf of the Hospital District and was awarded a grant to purchase a new Xray machine and upgrade physical therapy equipment.
8. COVID provided challenges to all entities starting in March. Both the clinic and EMS saw greatly reduced revenues. Neither has come back to pre-COVID numbers as of this audit. We have received CARES money that has allowed us to offset that income loss as well as purchase and make COVID related additional expenses and building improvements at the facility.
9. In 2022 the District plans to remodel a 600 square foot area of the clinic building to allow HRRMC to install and operate a full service walk-in pharmacy. Westcliffe has not had a full-service pharmacy within 40 miles in decades. The District plans to apply to the Department of Local Affairs (DOLA) for a Community Development Block Grant (CDBG) to pay for a portion of the remodel costs, expected to be approximately $250,000. The Pharmacy will open in April-May of 2023.
10. In 2022 the District will implement a flattened organizational management structure, replacing the part time Executive Director and part time Administrative Assistant with a full time Office Manager. Also, the District will eliminate the position of EMS Manager in favor of a dual Leadership structure allowing a higher degree of focus on Personnel and Facility individually. Both changes are expected to bring about a more efficient operation with better communication and records management while reducing administrative costs.
11. In 2022 the District will purchase for EMS, "auto-loaders" for the stretchers in all 3 ambulances. This improves safety and comfort for the patient and reduces potential of back injury for EMS personnel. The 3 "auto-loaders" will cost approximately $127,000 in total and be offset by a $48,000 ARPA grant.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

West Custer County Hospital District, Attention: Finance Officer, 704 Edwards, Westcliffe, Colorado 81252

Basic Financial Statements

STATEMENTS OF NET POSITION
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2021 and 2020

		2021	2020
Assets			
Cash and equivalents		$ 1,482,842	$ 1,233,021
Receivables			
Accounts receivable, net of allowance		60,151	57,306
Other receivables		27,670	63,030
Property tax		945,230	830,084
Inventories		11,659	12,871
Prepaid expenses		4,874	9,971
Capital assets, net of accumulated depreciation		1,041,671	957,123
	Total Assets	3,574,097	3,163,406
Liabilities			
Accounts payable		17,627	61,573
Accrued liabilities			
Payroll taxes and employee benefits		135	396
Salaries		18,670	12,889
Compensated absences		1,701	6,005
	Total Liabilities	38,133	80,863
Deferred Inflows of Resources			
Unavailable revenue - property tax		913,016	830,084
Net Position			
Invested in capital assets, net of related debt		1,041,671	957,123
Restricted:			
Emergency		27,800	33,400
Unrestricted		1,553,477	1,261,936
	Total Net Position	$ 2,622,948	$ 2,252,459

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Patient fees	$ -	$ 520,961
Ambulance fees	603,284	571,448
Therapy fees	-	231,478
X-Ray fees	-	15,152
Lab fees	-	126,233
Pharmacy fees	-	18,743
Optometry fees	-	5,840
Other operating revenue	47,005	114,037
Administrative adjustments	(329,416)	(808,137)
Total Operating Revenues	320,873	795,755
Operating Expenses		
Administration	214,717	287,231
Ambulance service	697,555	620,075
Central service and supply	51,065	146,913
Laboratory	-	45,769
Maintenance and operation	29,210	64,266
Medical	-	352,826
Pharmacy	-	21,505
Therapy	-	79,827
X-Ray	-	2,997
Optometry	-	5,156
Total Operating Expenses	992,547	1,626,565
Operating Loss	(671,674)	(830,810)
Nonoperating Revenue (Expenses)		
General property tax	832,028	812,509
Specific ownership tax	130,667	118,774
Grant revenue	35,136	174,944
Investment income	1,556	7,474
Gain/(loss) on sale of assets	3,000	(198,011)
Contributions	18,636	18,378
Treasurer collection fees	(41,510)	(40,407)
Total Nonoperating Revenues	979,513	893,661
Income (Loss) Before Capital Contributions	307,839	62,851
Capital Grants and Contributions	62,650	108,933
Change in Net Position	370,489	171,784
Total Net Position - Beginning	2,252,459	2,080,675
Total Net Position - Ending	$ 2,622,948	$ 2,252,459

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF CASH FLOWS
WEST CUSTER COUNTY HOSPITAL DISTRICT
For the years ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash received from customers	$ 319,232	$ 820,671
Cash payments to suppliers for goods and services	(404,239)	(433,670)
Cash payments to employees for services	(512,049)	(1,014,296)
Net Cash Used by Operating Activities	(597,056)	(627,295)
Cash Flows From Noncapital Financing Activities		
Cash received from property taxes	930,481	931,283
Cash paid for treasurers fees	(41,510)	(40,407)
Cash received from contributions, grants, and fundraisers	53,772	231,340
Net Cash Provided by Noncapital Financing Activities	942,743	1,122,216
Cash Flows From Capital and Related Financing Activities		
Cash received from grants	62,650	70,915
Acquisition of capital assets	(160,072)	(115,451)
Net Cash Used by Capital and Related Financing Activities	(97,422)	(44,536)
Cash Flows from Investing Activities		
Investment income	1,556	7,474
Net Cash Provided (Used) by Investing Activities	1,556	7,474
Net Increase (Decrease) in Cash and Cash Equivalents	249,821	457,859
Cash and Cash Equivalents - Beginning	1,233,021	775,162
Cash and Cash Equivalents - Ending	$ 1,482,842	$ 1,233,021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	$ (671,674)	$ (830,810)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	78,524	117,320
(Increase) decrease in:		
Accounts receivable	32,515	65,537
Inventory	1,212	12,218
Prepaid expense	5,097	27,273
Increase (decrease) in:		
Accounts payable	(43,946)	4,594
Accrued expenses	1,216	(23,427)
Net Cash Used by Operations	$ (597,056)	$ (627,295)

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

Note A - Summary of Significant Accounting Policies

Reporting Entity

The West Custer County Hospital District (Hospital District) is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local board of directors whose members are elected by the voters of the District. The formation of the Hospital District was approved by the voters in 1988, and it subsequently began operations on January 1, 1989. Prior to the formation of the Hospital District, medical services in Custer County were provided by the Custer County Medical Foundation, a non-profit organization. The Foundation transferred all its assets to the Hospital District effective December 31, 1988 and was subsequently liquidated. The assets net of liabilities transferred at that time were $127,224.

The Hospital District (the primary government) presents its financial statements in accordance with generally accepted accounting principles, as they apply to governmental units. The financial statements of the Hospital District consist only of its sole enterprise fund for medical services and has no other funds or account groups.

Contract with Heart of the Rockies Medical Clinic

The Hospital District contracted with the Heart of the Rockies Regional Medical Center (HRRMC) to take over the clinic operations of the Hospital District as of October 1, 2020.

The agreement allows HRRMC to lease from the Hospital District timeshare space and common areas of the medical building for $1 annually. Also, as part of the agreement the Hospital District will subsidize HRRMC a minimum of 1.8 mills annually with a maximum amount set at 3.085 mills. The Hospital District transferred all clinical equipment, furnishings and supplies to HRRMC.

The contract will remain in effect for two years from the effective date of October 1, 2020. At the end of the initial two year term the agreement will renew automatically for successive periods of 1 year each. The contract may be terminated by mutual agreement of the parties at any time upon the terms set forth in a written document signed by both parties. Either party may terminate this agreement without cause at any time by giving the other party 1 year's written notice.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The primary source of revenue is patient and medical fees. Operating expenses are reported in functional categories for ambulance service, central service and supply, laboratory, maintenance and operation, medical, pharmacy, therapy, X-ray, and administrative expenses and include depreciation on capital assets. Other revenues or expenses not meeting this definition are treated as nonoperating revenues and expenses. The principal nonoperating revenues are property and ownership taxes and grant revenue. The principal nonoperating expenses of the District include treasurer collection fees. All assets and liabilities, both current and noncurrent, are included in the statement of net position of proprietary funds.

Note A - Summary of Significant Policies (Continued)

Use of Estimates

The use of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The statement of cash flows focuses on the change in cash and cash equivalents during the period. Cash equivalents are short-term, liquid investments (including restricted assets) that are quickly converted to known cash amounts and that have maturities of three months or less so as to minimize the risk of value changes.

Receivables

All receivables are reported at their face value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable consists of the following at December 31:

	2021	2020
Patient fees, net of allowance for uncollectible accounts of $0 and $10,005	$ -	$ 12,900
Ambulance fees, net of allowance for uncollectible accounts of $51,467 and $155,343	60,151	44,406
Total Accounts Receivable	$ 60,151	$ 57,306

Inventory

Purchased inventory of the District is stated at cost using the first in, first out method of determining inventory on hand. Physical counts were made of all inventory as of December 31, 2021 and 2020. Inventory was adjusted to reflect the amount determined by physical count.

Capital Assets

Land, building & equipment are stated at cost or, in the case of donated assets, at the fair market value on the date of donation.

Interest costs associated with the construction or purchase of land, building & equipment are capitalized if the amounts are material to the general purpose financial statements.

Buildings and equipment are depreciated using straight-line depreciation based upon the following useful lives:

Buildings and improvements	15 - 39 years
Furniture and equipment	3 - 5 years
Vehicles	7 years

Property Taxes

Property taxes are levied on January 1 based on the assessed value of property as listed on the previous June 30, and are payable in two equal payments before the last day of February and the 15th day of June or in one full payment before the last day of April. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available.

Note A - Summary of Significant Policies (Continued)

Accounts Payable
Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

Paid Time Off
A new paid time off policy (PTO) was adopted June 2020. PTO can be used for sick, vacation and personal days. The new policy went from days being accrued to hours being accrued for each hour that is worked, excluding overtime hours. The amount of hours accrued varies depending on length of service. The maximum hours that can be accrued went from 120 hours to 216 hours. Any unused PTO will be paid to the employee upon termination. Accrued PTO as of December 31, 2021 and 2020 was $1,701 and $6,005, respectively. The accrued PTO is considered a current liability.

Risk Management
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for such risks, including workers' compensation. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2021 or 2020.

Concentration of Credit Risk
The District grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payer agreements. The District has adjusted accounts receivables for all known uncollectible accounts and maintains an allowance for doubtful accounts which is adjusted based on the District's collection experience.

Deferred Compensation Plan
The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Effective January 1, 1997, the District no longer has a fiduciary responsibility to the plan.

Note B - Stewardship, Compliance and Accountability

Tax, Revenue, Spending, and Debt Limitation

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending, and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992.

In addition to the tax raising, revenue, spending, and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve", to be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the years ended December 31, 2021 and 2020, the District estimates its reserve requirement at $27,800 and $33,400, respectively.

On May 7, 1996, the District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 1995 and thereafter. In addition, May 2, 2002, the voters approved an additional 2.113 mills to the property tax levy for the purpose of providing for additional staff and other operating costs. In November 2014, voters approved an additional 3 mills to the property tax levy to pay the costs of emergency medical ambulance services.

Budgetary Data

Formal budgetary accounting is employed as a management control tool for the enterprise fund of the District. Annual operating budgets are adopted each year by approval of the Board of Directors. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. Differences between the budgetary reporting basis and the generally accepted accounting principles (GAAP) basis used to reflect actual revenues and expenses are described below.

The financial statements report actual revenues and expenses on a generally accepted accounting principles (GAAP) basis which differs from the legally enacted budget basis. The differences are as follows:

1. Accruals for compensated absences are not recognized on the budgetary basis and are treated as expenses on the GAAP basis.

2. Capital expenditures are treated as expenses on the budgetary basis. On the GAAP basis, capital expenditures are not treated as expenses.

3. Depreciation expense and gain (loss) on sale of capital assets is not recognized on the budgetary basis and are recognized on the GAAP basis.

All appropriations lapse at the end of each year, and the District does not recognize encumbrances.

Grant Funding

The District receives funding from Federal, State and foundation grants which may be subject to regulatory or other oversight by the granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by a granting agency would become a liability to the District. There are no such proceedings presently in progress.

Note C - Cash Deposits and Investments

Cash Deposits

Colorado State statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC or FSLIC) on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the uninsured deposits held by that institution. The State regulatory commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At December 31, 2021 the District had deposits in excess of $250,000 in the amount of $194,609. These deposits are required to be collateralized under State Statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

	Carrying Amount	Less Than One Year	Less Than Five Years
Deposits:			
Checking	$ 444,609	$ 444,609	$ -
Investments:			
State investment pool (ColoTrust)	1,038,233	1,038,233	-
Total	$ 1,482,842	$ 1,482,842	$ -

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District has invested $1,038,233 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to $1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Note C - Cash Deposits and Investments (Continued)

Investments (Continued)

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2021:

The District's investment in ColoTrust are reported at fair value. However, this investment is not subject to the fair value hierarchy.

Interest Rate Risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statues. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit Risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes.

Note D - Property Tax and Accrual

Property taxes which have been levied for 2021 which will not be collected until 2022 have been accrued as a receivable at December 31, 2021. An offsetting liability for deferred inflows of resources - unearned property tax revenue has been recorded on the statement of net position.

Note E - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2021.

	December 31, 2020	Additions	Deletions	December 31, 2021
Land	$ 207,842	$ -	$ -	$ 207,842
Building and improvements	1,226,775	-	-	1,226,775
Furniture and equipment	351,177	50,613	-	401,790
Vehicles	403,863	112,460	122,759	393,564
Totals	$ 2,189,657	$ 163,073	$ 122,759	$ 2,229,971
Less depreciation	(1,232,534)			(1,188,300)
Net Capital Assets	$ 957,123			$ 1,041,671

Depreciation expense for the years ended December 31, 2021 and 2020 was $78,524 and $117,320, respectively. Accumulated depreciation for the years ended December 31, 2021 and 2020 was $1,188,300 and $1,232,534, respectively.

Note F - Operating Leases

The District is obligated under certain leases accounted for as operating leases. The leases become effective on various dates and expiration dates vary through 2022. Lease expense for the year ending December 31, 2021 and 2020 is $0 and $10,000. HRRMC took over leases as of October 1, 2020.

Note G - Net Position

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets (net of related debt) is intended to reflect the portion of the net position that are associated with non-liquid capital assets, less outstanding capital asset related debt.

Restricted net position are amounts that have third-party limitation on their use. As of December 31, 2021 and 2020 restricted net position consisted of $27,800 and $33,400 for the Tabor Emergency Reserve.

Unrestricted net position are amounts that do not meet the definition of "invested in capital assets" or "restricted net position" and are available for the District's operations.

Note H - Risks and Uncertainties

The District may be subject to legal proceedings and claims which arise in the ordinary course of business.

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Other Supplementary Information

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET BASIS - BUDGET AND ACTUAL
WEST CUSTER COUNTY HOSPITAL DISTRICT
For the year ended December 31, 2021

	Original Budget	Final Budget	2021 Actual	Variance Favorable (Unfavorable)
Revenues				
Ambulance fees	$ 650,000	$ 650,000	$ 603,284	$ (46,716)
Other operating revenue	51,000	51,000	47,005	(3,995)
Administrative adjustments	(362,700)	(362,700)	(329,416)	33,284
Total Operating Revenues	338,300	338,300	320,873	(17,427)
Nonoperating Revenues				
General property tax	830,084	830,084	832,028	1,944
Specific ownership tax	104,880	104,880	130,667	25,787
Grant revenue	-	-	35,136	35,136
Capital grants and contributions	100,000	100,000	62,650	(37,350)
Investment income	6,000	6,000	1,556	(4,444)
Contributions	8,500	8,500	18,636	10,136
Total Nonoperating Revenues	1,049,464	1,049,464	1,080,673	31,209
Total Revenues	1,387,764	1,387,764	1,401,546	13,782
Operating Expenses				
Administration				
Salaries and employee benefits	35,000	35,000	21,743	13,257
Payroll taxes	2,783	2,783	1,736	1,047
Contract labor	-	-	1,500	(1,500)
Transition subsidy	307,981	307,981	179,495	128,486
Supplies	860	860	4,052	(3,192)
Penalties and fees	-	-	643	(643)
Professional services	10,000	10,000	5,283	4,717
Marketing	-	-	265	(265)
Insurance	500	500	-	500
Total Administration	357,124	357,124	214,717	142,407
Ambulance Service				
Salaries and employee benefits	409,620	409,620	461,815	(52,195)
Payroll taxes	28,814	28,814	32,868	(4,054)
Supplies	48,400	48,400	43,000	5,400
Professional services	32,500	32,500	42,356	(9,856)
Marketing	1,000	1,000	141	859
Repairs and maintenance	10,000	10,000	5,897	4,103
Travel	1,500	1,500	-	1,500
Insurance	29,089	29,089	29,636	(547)
Publicity, subscriptions, dues	400	400	717	(317)
Bad debts	47,900	47,900	20,350	27,550
Telephone	1,620	1,620	3,282	(1,662)
Utilities	10,175	10,175	5,024	5,151
Penalties and fees	50	50	1,650	(1,600)
Staff expense and training	9,950	9,950	2,455	7,495
Total Ambulance Service	631,018	631,018	649,191	(18,173)

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGETARY BASIS - BUDGET AND ACTUAL (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the year ended December 31, 2021

	Original Budget	Final Budget	2021 Actual	Variance Favorable (Unfavorable)
Central Service and Supply				
Supplies	$ 10,000	$ 10,000	$ 793	$ 9,207
Repairs and maintenance	-	-	1,214	(1,214)
Telephone	1,000	1,000	2,779	(1,779)
Postage	-	-	275	(275)
Professional services	17,000	17,000	19,287	(2,287)
Insurance	21,500	21,500	11,761	9,739
Rent	-	-	150	(150)
Publicity, subscriptions, dues	-	-	1,000	(1,000)
Bad debts	250	250	13,806	(13,556)
Total Central Service and Supply	49,750	49,750	51,065	(1,315)
Maintenance and Operation				
Repairs and maintenance	20,000	20,000	4,296	15,704
Professional services	-	-	1,845	(1,845)
Total Maintenance and Operation	20,000	20,000	6,141	13,859
Total Operating Expenses	1,057,892	1,057,892	921,114	136,778
Nonoperating Expenditures				
Treasurer collection fees	41,560	41,560	41,510	50
Capital outlay	185,000	185,000	163,073	21,927
Total Nonoperating Expenses	226,560	226,560	204,583	21,977
Total Expenditures	1,284,452	1,284,452	1,125,697	158,755
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	103,312	103,312	275,849	172,537
Net Position - Beginning of Year	1,142,110	1,142,110	1,223,051	80,941
Net Position - End of Year	$ 1,245,422	$ 1,245,422	$ 1,498,900	$ 253,478

The accompanying notes to financial statements are an integral part of this schedule.

BUDGET RECONCILIATION
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2021

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (GAAP Basis)		$ 1,404,546
Less:		
Gain on sale of assets		(3,000)
	Revenue (Budgetary Basis)	1,401,546
Expenditures (GAAP Basis)		1,034,057
Plus:		
Change in paid time off accrual		7,091
Capital outlay		163,073
Less:		
Depreciation		(78,524)
	Expenditures (Budgetary Basis)	1,125,697
	Net Income	$ 275,849

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2021 and 2020

	2021	2020
Administration		
Salaries and employee benefits	$ 21,743	$ 158,210
Insurance	-	1,948
Payroll taxes	1,736	12,278
Contract labor	1,500	41,446
Transition subsidy	179,495	50,326
Supplies	4,052	13,693
Penalties and fees	643	5,227
Professional services	5,283	1,252
Marketing	265	2,523
Travel	-	49
Staff meetings & training	-	279
Total Administration	214,717	287,231
Ambulance Service		
Salaries and employee benefits	454,724	392,880
Payroll taxes	32,868	26,932
Supplies	43,000	33,646
Penalties and fees	1,650	123
Professional services	42,356	20,231
Printing	-	201
Marketing	141	663
Repairs and maintenance	5,897	8,451
Travel	-	983
Insurance	29,636	22,499
Publicity, subscriptions, dues	717	682
Staff expense and training	2,455	2,353
Depreciation	55,455	72,831
Bad debts	20,350	30,107
Telephone	3,282	1,606
Utilities	5,024	5,887
Total Ambulance Service	697,555	620,075
Central Service and Supply		
Supplies	793	2,840
Repairs and maintenance	1,214	176
Telephone	2,779	23,101
Postage	275	2,347
Printing and election	-	201
Professional services	19,287	71,934
Rent	150	-
Travel	-	831
Insurance	11,761	13,114
Publicity, subscriptions, dues	1,000	2,196
Training	-	72
Depreciation	-	18,091
Bad debts	13,806	12,010
Total Central Service and Supply	51,065	146,913

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2021 and 2020

	2021	2020
Laboratory		
Salaries and employee benefits	$ -	$ 15,246.00
Payroll taxes	-	1,191
Repairs and maintenance	-	-
Supplies	-	27,204
Professional services	-	1,606
Depreciation	-	522
Total Laboratory	-	45,769
Maintenance and Operation		
Salaries and employee benefits	-	11,780
Payroll taxes	-	936
Supplies	-	1,041
Repairs and maintenance	4,296	11,536
Professional services	1,845	1,351
Utilities	-	13,622
Depreciation	23,069	24,000
Total Maintenance and Operation	29,210	64,266
Medical		
Salaries and employee benefits	-	286,622
Payroll taxes	-	19,859
Contract labor	-	15,120
Repairs and maintenance	-	-
Supplies	-	25,640
Professional services	-	93
Insurance	-	3,377
Training and travel	-	1,536
Depreciation	-	579
Total Medical	-	352,826
Pharmacy		
Supplies	-	6,542
Professional service	-	4,963
Rent	-	10,000
Total Pharmacy	-	21,505

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2021 and 2020

	2021	2020
Therapy		
Salaries and employee benefiits	$ -	$ 59,902
Payroll taxes	-	4,762
Bad debts	-	3,009
Supplies	-	1,551
Training	-	55
Repair and maintenance	-	-
Publicity, subscriptions, dues	-	-
Professional services	-	10,426
Depreciation	-	122
Total Therapy	-	79,827
X-Ray		
Salaries	-	997
Payroll taxes	-	79
Repairs and maintenance	-	124
Publicity, subscriptions, dues	-	250
Professional services	-	372
Depreciation	-	1,175
Total X-Ray	-	2,997
Optometry		
Contract labor	-	5,156
Total Optometry	-	5,156
Total Operating Expenses	$ 992,547	$ 1,626,565

The accompanying notes to financial statements are an integral part of this schedule.