NOTICE OF REGULAR BOARD MEETING OF
THE UPPER SAN JUAN HEALTH SERVICE DISTRICT
d/b/a PAGOSA SPRINGS MEDICAL CENTER
Tuesday, June 28, 2022, at 5:30 PM
The Board Room (direct access – northeast entrance)
95 South Pagosa Blvd., Pagosa Springs, CO 81147

DUE TO THE PANDEMIC, IN-PERSON ATTENDEES WILL BE: LIMITED, SCREENED PRIOR TO ENTERING THE MEETING, AND REQUIRED TO WEAR A MASK

Please use this link to join the meeting: https://us02web.zoom.us/j/88304467907
or telephone (346) 248-7799 or (669) 900-6833
Zoom Meeting ID: 883 0446 7907

AGENDA

1) **CALL TO ORDER; ADMINISTRATIVE MATTERS OF THE BOARD**
   a) Confirmation of quorum
   b) Board member self-disclosure of actual, potential or perceived conflicts of interest
   c) Approval of the Agenda (and changes, if any)

2) **PUBLIC COMMENT** This is an opportunity for the public to make comment and/or address USJHSD Board. Persons wishing to address the Board need to notify the Clerk to the Board, Heather Thomas, prior to the start of the meeting. All public comments shall be limited to matters under the jurisdiction of the Board and shall be expressly limited to three (3) minutes per person. The Board is not required to respond to or discuss public comments. No action will be taken at this meeting on public comments.

3) **PRESENTATIONS**
   a) **2021 AUDIT**: Zoom presentation of the 2021 audit report and opinion of the auditor by Kami Maztek of Dingus, Zarecor & Associates, PLLC. As noted in the financial report, the auditor presented (via Zoom) the audit to the PSMC Finance Committee; the Finance Committee recommends the Board accept the audit. The auditor has three letters to the Board (at pages 2, 3, 4, 6 and 7 of 66 pages) summarizing key matters regarding the auditor's scope of work and opinion.
   b) **PSMC's EMS and Ambulance Services** presentation by Chief Jason Webb with an overview of PSMC's services.

4) **REPORTS**
   a) **Oral Reports** (may be accompanied by a written report)
      i) Chair Report — Chair Matt Mees

ii) CEO Report — Dr. Rhonda Webb

~~iii) Executive Committee — Chair Mees and Vice Chair Kate Alfred~~

iv) Foundation Committee — Chair Mees, Dir. Dr. Pruitt and CEO R.Webb

v) Facilities Committee — Chair Mees and COO K.Douglas

~~vi) Strategic Planning Committee~~

vii) Finance Committee & Report — Treas.-Sec. Zeigler and CFO C.Keplinger

b) **Written Reports** *(no oral report unless the Board has questions)*

i) Operations Report — COO-CNO, Kathee Douglas

ii) Medical Staff Report — Chief of Staff, Dr. John Wisneski

5) **EXECUTIVE SESSION** There will be an executive session pursuant to the following subparagraphs of C.R.S. Section 24-6-402(4):

- (a) the possible purchase, acquisition, lease, transfer, or sale of real property owned by James Pruitt Properties LLC;
- (b) conferences with an attorney for USJHSD for the purpose of receiving legal advice on specific legal questions; and
- (e) determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators.

Further, the Board reserves the right to meet in executive session for any other purpose allowed and topic announced at open session of the meeting, in accordance with C.R.S. Section 24-6-402(4).

6) **DECISION AGENDA**

a) Consideration of Resolution 2022-16 acceptance of the 2021 audit of the Upper San Juan Health Service District.

b) Consideration of Resolution 2022-17 regarding next steps with respect to the purchase of the real property owned by Pruitt Properties, LLC.

i) Resolution 2022-17 OPTION A to proceed with the purchase of the Pruitt Building.

ii) Resolution 2022-17 OPTION B not to proceed with the purchase of the Pruitt Building

7) **CONSENT AGENDA** (The Consent Agenda is intended to allow Board approval, by a single motion, of matters that are considered routine. There will be no separate discussion of Consent Agenda matters unless requested.)

a) Approval of Board Member absences:

i) Regular meeting of 06/28/2022

b) Approval of Minutes for the following meeting(s):

i) Regular Meeting of: 05/24/2022.

c) Approval of Medical Staff report recommendations for new or renewal of provider privileges.

8) **OTHER BUSINESS**

9) **ADJOURN**

PRESENTATIONS 3.a.

Upper San Juan Health Service District doing business as Pagosa Springs Medical Center

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Table of Contents

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Pagosa Springs, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (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 audits 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.

Management's Responsibility for the Financial Statements

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

12015 East Main Avenue | Spokane Valley, WA 99206 | 509.242.0874 | www.dzacpa.com

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 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, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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.

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 financial statements. The accompanying schedule of expenditures of 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022, 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 May 10, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 20, 2022

Our discussion and analysis of Upper San Juan Health Service District doing business as Pagosa Springs Medical Center's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2021 and 2020. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Highlights

- The District's net position increased $8,757,564, or 67.1 percent, in 2021, and $2,123,358, or 19.4 percent, in 2020.
- The District reported operating loss in 2021 of $592,269 and operating loss in 2020 of $1,223,671. Income in 2021 increased by $631,402, or 51.6 percent, over the income reported in 2020. Operating income in 2020 decreased by $1,466,112, or 604.7 percent compared to 2019.
- Nonoperating revenues (expenses) increased by $2,951,594, or 167.4 percent, in 2021 compared to 2020. Nonoperating revenues (expenses) increased by $1,422,405, or 417.7 percent, in 2020 compared to 2019.

Using this Annual Report

The District's financial statements consist of three statements—a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District that are designated for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the District's finances begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These statements report the District's net position and changes in it. The difference between assets and liabilities is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as the local economic factors to assess the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement provides meaningful information on how the District's cash was generated and how it was used.

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the Statements of Net Position on pages 8 and 9. The District's net position increased by $8,757,564, or 67.1 percent, in 2021, and $2,123,358, or 19.4 percent, in 2020.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Management's Discussion and Analysis (Continued)
December 31, 2021 and 2020

Table 1. Net Position

	2021	2020	2019
Assets			
Current assets	**$ 25,772,922**	$ 24,763,261	$ 13,073,610
Other noncurrent assets	**1,115,298**	878,731	1,572,068
Capital assets, net	**21,765,648**	22,271,693	21,645,485
Total assets	**$ 48,653,868**	$ 47,913,685	$ 36,291,163
Liabilities			
Current liabilities	**$ 7,177,118**	$ 11,469,024	$ 4,828,495
Capital lease obligations, less current maturities	**-**	61,030	270,221
Long-term debt, less current maturities	**18,021,514**	22,048,284	18,991,684
Total liabilities	**25,198,632**	33,578,338	24,090,400
Deferred inflows of resources			
Property tax revenue	**1,434,016**	1,277,441	1,266,215
Deferred inflow from debt refinancing	**205,750**	-	-
Total deferred inflows of resources	**1,639,766**	1,277,441	1,266,215
Net position			
Net investment in capital assets	**3,076,911**	2,991,549	1,478,152
Restricted	**1,115,298**	878,731	1,572,068
Unrestricted	**17,623,261**	9,187,626	7,884,328
Total net position	**21,815,470**	13,057,906	10,934,548
Total liabilities, deferred inflows of resources, and net position	**$ 48,653,868**	$ 47,913,685	$ 36,291,163

The significant changes in assets and liabilities in 2021 were as follows:

- Total assets for the District were $48,653,868 at the end of 2021, an increase of $740,183 from the balance of $47,913,685 at the end of 2020.

  Current assets increased $1,009,661 from $24,763,261 in 2020 to $25,772,922 in 2021 due to increased cash and cash equivalents primarily from significant Medicare Accelerated Payments and CARES Act Provider Relief receipts. Net patient receivables of $4,143,296 in 2021 increased $722,960 from $3,420,336 at the end of 2020.

- Total liabilities for the District were $25,198,632 in 2021, a decrease of $8,379,706 from the balance of $33,578,338 in 2020.

  Current liabilities decreased $4,291,906 from $11,469,024 at the end of 2020 to $7,177,118 at the end of 2021 primarily due to significant decreases in balances related to Medicare Accelerated Payments payable and unearned CARES Act Provider Relief Fund.

  Long-term debt and capital lease obligations decreased $4,087,800 from $22,109,314 in 2020 to a balance of $18,021,514 in 2021.

Operating Results and Changes in the District's Net Position

In 2021, the District's net position increased by $8,757,564, or 67.1 percent, as shown in Table 2. The District's net position increased by $2,123,358, or 19.4 percent, in 2020.

Table 2. Operating Results and Changes in Net Position

	2021	2020	2019
Operating revenues			
Net patient service revenue	**$ 35,738,866**	$ 32,142,883	$ 32,584,951
340B contract pharmacy	**1,420,266**	1,818,620	1,842,227
Electronic health records incentive payment	**-**	-	143,657
Grants	**266,109**	181,058	-
Other	**208,716**	185,820	227,806
Total operating revenues	**37,633,957**	34,328,381	34,798,641
Operating expenses			
Salaries and benefits	**24,055,373**	22,441,169	21,986,392
Supplies	**6,054,530**	5,795,916	4,915,129
Depreciation and amortization	**1,802,311**	1,793,074	1,877,244
Other	**6,314,012**	5,521,893	5,777,435
Total operating expenses	**38,226,226**	35,552,052	34,556,200
Operating income (loss)	**(592,269)**	(1,223,671)	242,441
Nonoperating revenues (expenses)			
Property taxes	**1,434,731**	1,405,122	1,262,092
Interest expense	**(976,848)**	(947,263)	(1,014,962)
CARES Act Provider Relief Fund	**4,225,159**	1,234,026	-
Interest income	**31,470**	71,033	93,383
Total nonoperating revenues, net	**4,714,512**	1,762,918	340,513
Excess of revenues before capital grants and contributions	**4,122,243**	539,247	582,954
Gain on forgiveness of Paycheck Protection Program Loan	**3,740,044**	-	-
Capital grants and contributions	**895,277**	1,584,111	605,664
Change in net position	**8,757,564**	2,123,358	1,188,618
Net position, beginning of year	**13,057,906**	10,934,548	9,745,930
Net position, end of year	**$ 21,815,470**	$ 13,057,906	$ 10,934,548

Operating Results

The first component of the overall change in the District's net position is operating income – the difference between the revenue and the expenses incurred to perform those services. Operating loss decreased $631,402 from 2020 to 2021.

The primary component of the change in operating income for 2021 compared to 2020 is:

- Net patient service revenue increased $3,595,983 due to an increase in patient volumes.

Overall, net patient service revenue increased between 2020 and 2021 by $3,595,983. In 2020, overall net patient service revenue decreased $442,068 from 2019.

Nonoperating Revenues and Expenses

Nonoperating activity for 2021 and 2020 consists primarily of property taxes levied for repayment of the District's bonds, CARES Act Provider Relief Fund revenue, interest expense, and interest income. Net nonoperating revenues and expenses increased by $2,951,594, or 167.4 percent, in 2021.

The District recognized CARES Act Provider Relief Funds of $4,225,159 during 2021. The District also recognized a $3,740,044 gain on the forgiveness of the Paycheck Protection Program loan.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating results and nonoperating revenues and expenses discussed earlier.

Capital Asset and Debt Administration

Capital Assets

Net capital assets decreased in 2021 by $506,045, or 2.3 percent, from 2020. This net decrease includes purchases (including construction in progress) of $1,296,266 and depreciation expense of $1,802,311. Net capital assets increased $626,208, or 2.9 percent, from 2019 to 2020. This net increase includes purchases (including construction in progress) of $2,419,282 and depreciation expense of $1,793,074.

At the end of 2021, the District had $21,765,648 in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements.

Debt

At December 31, 2021, the District had $18,422,545 in long-term debt obligations, a decrease of $781,634 from December 31, 2020. At December 31, 2020, the District had $19,204,179 in long-term debt obligations.

The District's formal debt issuances must be approved by the District's Board of Directors. The amount of debt issued is subject to limitations that apply to the District. There have been no changes in the District's debt ratings in the past two years.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's office, at Pagosa Springs Medical Center, 95 S Pagosa Blvd, Pagosa Springs, CO 81147.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Statements of Net Position
December 31, 2021 and 2020

ASSETS	**2021**	**2020**
Current assets		
Cash and cash equivalents	**$ 17,037,727**	$ 17,120,704
Receivables:		
Patient accounts	**4,143,296**	3,420,336
Property tax levy	**1,434,016**	1,277,441
Estimated third-party payor settlements	**639,000**	760,708
Other	**515,223**	294,660
Inventories	**1,801,605**	1,651,313
Prepaid expenses	**202,055**	238,099
Total current assets	**25,772,922**	24,763,261
Noncurrent assets		
Cash and cash equivalents, restricted for debt service	**1,115,298**	878,731
Capital assets, net	**21,765,648**	22,271,693
Total noncurrent assets	**22,880,946**	23,150,424
Total assets	**$ 48,653,868**	$ 47,913,685

See accompanying notes to basic financial statements.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Statements of Net Position (Continued)
December 31, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**2021**	**2020**
Current liabilities		
Accounts payable	**$ 893,997**	$ 738,456
Refunds payable	**254,551**	501,098
Accrued compensation and related liabilities	**1,433,741**	1,234,855
Estimated third-party payor settlements	**902,277**	-
Unearned CARES Act Provider Relief Fund	**669,775**	3,858,789
Medicare Accelerated Payments payable	**2,561,304**	4,224,952
Accrued interest payable	**60,442**	75,965
Current maturities of capital lease obligations	**61,031**	169,909
Current maturities of long-term debt	**340,000**	665,000
Total current liabilities	**7,177,118**	11,469,024
Noncurrent liabilities		
Paycheck Protection Program loan	**-**	3,740,044
Capital lease obligations, less current maturities	**-**	61,030
Long-term debt, less current maturities	**18,021,514**	18,308,240
Total noncurrent liabilities	**18,021,514**	22,109,314
Total liabilities	**25,198,632**	33,578,338
Deferred inflows of resources		
Property tax revenue	**1,434,016**	1,277,441
Deferred inflow from debt refinancing	**205,750**	-
Total deferred inflows of resources	**1,639,766**	1,277,441
Net position		
Net investment in capital assets	**3,076,911**	2,991,549
Restricted	**1,115,298**	878,731
Unrestricted	**17,623,261**	9,187,626
Total net position	**21,815,470**	13,057,906
Total liabilities, deferred inflows of resources, and net position	**$ 48,653,868**	$ 47,913,685

See accompanying notes to basic financial statements.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues		
Net patient service revenue	**$ 35,738,866**	$ 32,142,883
340B contract pharmacy	**1,420,266**	1,818,620
Grants	**266,109**	181,058
Other	**208,716**	185,820
Total operating revenues	**37,633,957**	34,328,381
Operating expenses		
Salaries and wages	**20,776,614**	19,159,427
Employee benefits	**3,278,759**	3,281,742
Professional fees and other purchased services	**2,440,059**	2,142,812
Supplies	**6,054,530**	5,795,916
Utilities	**430,349**	361,181
Depreciation and amortization	**1,802,311**	1,793,074
Leases and rentals	**451,270**	438,284
Repairs and maintenance	**539,480**	549,092
Provider fees	**929,460**	800,963
Insurance	**339,605**	327,437
Other	**1,183,789**	902,124
Total operating expenses	**38,226,226**	35,552,052
Operating loss	**(592,269)**	(1,223,671)
Nonoperating revenues (expenses)		
Property taxes	**1,434,731**	1,405,122
Interest expense	**(976,848)**	(947,263)
CARES Act Provider Relief Fund	**4,225,159**	1,234,026
Interest income	**31,470**	71,033
Total nonoperating revenues, net	**4,714,512**	1,762,918
Excess of revenues over expenses before gain on forgiveness of Paycheck Progection Program loan and capital grants and contributions	**4,122,243**	539,247
Gain on forgiveness of Paycheck Protection Program loan	**3,740,044**	-
Capital grants and contributions	**895,277**	1,584,111
Change in net position	**8,757,564**	2,123,358
Net position, beginning of year	**13,057,906**	10,934,548
Net position, end of year	**$ 21,815,470**	$ 13,057,906

See accompanying notes to basic financial statements.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
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	**$ 37,460,157**	$ 34,486,789
Other receipts	**254,262**	377,944
Payments to and on behalf of employees	**(23,856,487)**	(23,136,778)
Payments to suppliers and contractors	**(12,573,796)**	(12,243,762)
Net cash provided by (used in) operating activities	**1,284,136**	(515,807)
Cash flows from noncapital financing activities		
Receipt of CARES Act Provider Relief Fund	**1,036,145**	5,092,815
Receipt of Medicare Accelerated Payments	**-**	4,224,952
Repayment of Medicare Accelerated Payments	**(1,663,648)**	-
Proceeds from the Paycheck Protection Program loan	**-**	3,740,044
Property taxes	**1,434,731**	1,405,122
Net cash provided by noncapital financing activities	**807,228**	14,462,933
Cash flows from capital and related financing activities		
Principal payments on capital lease obligations	**(169,908)**	(226,380)
Principal payments on long-term debt	**(9,035,000)**	(640,000)
Proceeds from the issuance of long-term debt	**8,675,266**	-
Purchase of capital assets	**(1,296,266)**	(2,419,282)
Interest paid on long-term debt and capital lease obligations	**(1,038,613)**	(968,072)
Capital grants and contributions	**895,277**	1,584,111
Net cash used in capital and related financing activities	**(1,969,244)**	(2,669,623)
Cash flows from investing activities, investment income	**31,470**	71,033
Net increase in cash and cash equivalents	**153,590**	11,348,536
Cash and cash equivalents, beginning of year	**17,999,435**	6,650,899
Cash and cash equivalents, end of year	**$ 18,153,025**	$ 17,999,435

See accompanying notes to basic financial statements.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
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	**$ 17,037,727**	$ 17,120,704
Cash and cash equivalents, restricted for debt service	**1,115,298**	878,731
Total cash and cash equivalents	**$ 18,153,025**	$ 17,999,435
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	**$ (592,269)**	$ (1,223,671)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	**1,802,311**	1,793,074
Provision for bad debts	**2,547,165**	1,730,053
(Increase) decrease in assets:		
Receivables:		
Patient accounts	**(3,270,125)**	(725,327)
Estimated third-party payor settlements	**121,708**	(479,440)
Other	**(220,563)**	11,066
Inventories	**(150,292)**	(133,613)
Prepaid expenses	**36,044**	(39,291)
Increase (decrease) in liabilities:		
Accounts payable	**155,541**	(757,075)
Refunds payable	**(246,547)**	4,026
Accrued compensation and related liabilities	**198,886**	(695,609)
Estimated third-party payor settlements	**902,277**	-
Net cash provided by (used in) operating activities	**$ 1,284,136**	$ (515,807)

Noncash Noncapital Financing Activities – During the year ended December 31, 2021, the District recorded a $3,740,044 gain on forgiveness of the Paycheck Protection Program loan.

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District) was organized to operate, maintain, and provide health services to the citizens of Archuleta County and a small portion of Hinsdale and Mineral Counties in the state of Colorado. As organized, the District is exempt from paying federal income tax. The District is governed by a Board of Directors consisting of members that must be qualified electors of the District. Members are elected to staggered four-year terms of office.

The District operates a licensed 11-bed hospital, a rural health clinic, and an ambulance service in Pagosa Springs, Colorado. The services provided include medical-surgical, pediatrics, surgery, emergency room, oncology, pain management clinic, and related ancillary services (laboratory, imaging, cardiology, physical therapy, respiratory therapy, etc.).

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 disclosures 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 period of the related expense.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Capital assets **–** The District capitalizes assets whose costs exceed $5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses are incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method.

Useful lives are estimated as follows:

Buildings and improvements	5 to 39 years
Equipment	2 to 20 years

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

b. Summary of Significant Accounting Policies (continued)

Accrued compensated absences – Employees earn paid time off at varying rates depending on years of service. Employees must be full-time with at least one month of continuous employment in order to earn paid time off. Accumulated paid time off cannot exceed certain limits, depending on the employee's position. All paid time off is accrued and expensed when earned.

Bond premiums – Bond premiums are being amortized on a straight-line basis over the life of the bond issue.

Net position – The net position of the District is classified into three components. *Net investment in capital assets* consists of the District's 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 composed of 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 composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

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.

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 and contributions received for purposes other than capital asset acquisitions, 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 federal, state, and county grants, 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. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Contributions, except for capital contributions, are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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

b. Summary of Significant Accounting Policies (continued)

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District's year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Subsequent events – Subsequent events have been reviewed through June 20, 2022, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Deposits:

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

The District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation or by deposits collateralized by securities not held in the District's name under the PDPA.

Investments:

Colorado State statutes authorize the District to invest in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, repurchase agreements, money market funds, and local government investment pools with a maturity date of no more than five years from the date of purchase.

2. Bank Deposits and Investments (continued):

Investments (continued)

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. The District's investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for investments.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has a policy specifically requiring or limiting investments of this type.

Concentration of credit risk – Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District has a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

At December 31, 2021 and 2020, the District had invested $1,603,215 and $1,602,444, respectively, in the Colorado Local 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 $1.00. 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. Colotrust funds carry a Standard & Poor's AAA rating. There is no custodial interest rate or foreign currency risk exposure. The underlying investments held by Colotrust are valued at fair value.

The District's remaining investments at December 31, 2021 and 2020, were in money market funds, with a carrying value of $1,208,685 and $2,387,504, respectively. Of the amounts, $1,115,298 and $878,731 are restricted by the bond agreements for debt reserve at December 31, 2021 and 2020, respectively.

The District's investments are recorded as cash equivalents.

Fair value measurements – 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's money market funds are valued using quoted market prices (Level 1) as of December 31, 2021 and 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 has increased significantly from the prior year due to an increase in self-pay accounts receivable balances. 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, consisted of these amounts:

	2021	**2020**
Receivable from patients and their insurance carriers	**$ 4,843,141**	$ 3,519,195
Receivable from Medicare	**1,657,373**	1,197,613
Receivable from Medicaid	**320,936**	285,150
Total patient accounts receivable	**6,821,450**	5,001,958
Less allowance for uncollectible accounts	**2,678,154**	1,581,622
Patient accounts receivable, net	**$ 4,143,296**	$ 3,420,336

4. Capital Assets:

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Capital assets not being depreciated					
Land	$ 101,000	$ -	$ -	$ -	**$ 101,000**
Construction in progress	1,487,415	1,251,397	-	(1,995,450)	**743,362**
Total capital assets not being depreciated	1,588,415	1,251,397	-	(1,995,450)	**844,362**
Capital assets being depreciated					
Buildings and improvements	27,375,253	7,368	-	1,708,990	**29,091,611**
Equipment	11,082,890	37,501	(81,700)	286,460	**11,325,151**
Total capital assets being depreciated	38,458,143	44,869	(81,700)	1,995,450	**40,416,762**
Less accumulated depreciation for					
Buildings and improvements	(8,629,210)	(1,209,347)	-	-	**(9,838,557)**
Equipment	(9,145,655)	(592,964)	81,700	-	**(9,656,919)**
Total accumulated depreciation	(17,774,865)	(1,802,311)	81,700	-	**(19,495,476)**
Total capital assets being depreciated, net	20,683,278	(1,757,442)	-	1,995,450	**20,921,286**
Capital assets, net of accumulated depreciation	$ 22,271,693	$ (506,045)	$ -	$ -	**$ 21,765,648**

Construction in progress at December 31, 2021, consisted of costs for a new MRI machine and a backup oxygen system for the hospital. The MRI was completed in February 2022 cost with additional costs of approximately $144,000. The oxygen systems project is scheduled to be completed in December 2022 with no significant additional costs expected to be incurred.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

4. Capital Assets (continued):

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
Capital assets not being depreciated					
Land	$ 101,000	$ -	$ -	$ -	**$ 101,000**
Construction in progress	73,031	1,414,384	-	-	**1,487,415**
Total capital assets not being depreciated	174,031	1,414,384	-	-	**1,588,415**
Capital assets being depreciated					
Buildings and improvements	27,057,488	317,765	-	-	**27,375,253**
Equipment	10,395,757	687,133	-	-	**11,082,890**
Total capital assets being depreciated	37,453,245	1,004,898	-	-	**38,458,143**
Less accumulated depreciation for					
Buildings and improvements	(7,463,345)	(1,165,865)	-	-	**(8,629,210)**
Equipment	(8,518,446)	(627,209)	-	-	**(9,145,655)**
Total accumulated depreciation	(15,981,791)	(1,793,074)	-	-	**(17,774,865)**
Total capital assets being depreciated, net	21,471,454	(788,176)	-	-	**20,683,278**
Capital assets, net of accumulated depreciation	$ 21,645,485	$ 626,208	$ -	$ -	**$ 22,271,693**

5. Employee Health Self-insurance:

The District established a self-insurance fund for employee medical care that is administered through UMR, Incorporated. Specific and aggregate stop-loss coverage on the health plan is provided to limit the ultimate exposure of the District.

The District has recorded the estimated liability for self-insurance claims in the statements of net position, in accrued compensation and related liabilities. The income and expenses related to administration of self-insurance and the estimated provision for claims liabilities are recorded in the statements of revenues, expenses, and changes in net position, in employee benefits expense.

The District accrues an incurred but not yet reported liability for plan claims that have been incurred but have not yet been reported to the District. The District has also purchased a supplementary insurance policy to cover claims in excess of $50,000.

	2021	2020
Claim liability, beginning of year	**$ 229,398**	$ 274,024
Current year claims and changes in estimates	**1,501,813**	1,653,521
Claim payments	**(1,457,163)**	(1,698,147)
Claim liability, end of year	**$ 274,048**	$ 229,398

6. Long-term Debt and Capital Lease Obligations:

A schedule of changes in the District's long-term debt and capital lease obligations is as follows:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
Long-term debt					
Limited Tax General Obligation Bonds, Series 2006 and Limited Tax General Obligation Bonds, Series 2007	$ 8,705,000	$ -	$ (8,705,000)	$ -	$ -
Improvement and Refunding Revenue Bonds, Series 2016 A (Tax Exempt) and Refunding Revenue Bond Series 2016 B (Taxable)	9,920,000	-	(330,000)	9,590,000	340,000
Limited Tax General Obligation Refunding Bonds, Series 2021	-	7,885,000	-	7,885,000	-
2007 bond premium	219,096	-	(219,096)	-	-
2016 bond premium	129,144	-	(5,097)	124,047	-
2021 bond premium	-	790,266	(27,799)	762,467	-
Total long-term debt	18,973,240	8,675,266	(9,286,992)	18,361,514	340,000
Capital lease obligations					
Stryker equipment lease	81,005	-	(64,804)	16,201	16,201
Wells Fargo equipment lease	149,934	-	(105,104)	44,830	44,830
Total capital lease obligations	230,939	-	(169,908)	61,031	61,031
	$ 19,204,179	$ 8,675,266	$ (9,456,900)	$ 18,422,545	**$** 401,031

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
Long-term debt					
Limited Tax General Obligation Bonds, Series 2006 and Limited Tax General Obligation Bonds, Series 2007	$ 9,025,000	$ -	$ (320,000)	$ 8,705,000	$ 335,000
Improvement and Refunding Revenue Bonds, Series 2016 A (Tax Exempt) and Refunding Revenue Bond Series 2016 B (Taxable)	10,240,000	-	(320,000)	9,920,000	330,000
2007 bond premium	232,442	-	(13,346)	219,096	-
2016 bond premium	134,242	-	(5,098)	129,144	-
Total long-term debt	19,631,684	-	(658,444)	18,973,240	665,000
Capital lease obligations					
Stryker equipment lease	145,810	-	(64,805)	81,005	64,804
Dell server lease	57,645	-	(57,645)	-	-
Wells Fargo equipment lease	251,471	-	(101,537)	149,934	105,105
Synoptek telephone lease	2,393	-	(2,393)	-	-
Total capital lease obligations	457,319	-	(226,380)	230,939	169,909
	$ 20,089,003	$ -	$ (884,824)	$ 19,204,179	**$** 834,909

6. Long-term Debt and Capital Lease Obligations (continued):

The terms of the District's long-term debt follow:

- Health Care Services Enterprise Improvement and Refunding Revenue Bonds, Series 2016A (Tax Exempt) and Refunding Revenue Bonds, Series 2016B (Taxable), in the original amounts of $9,590,000 and $1,545,000, respectively. The bonds are secured by the District's net revenue. The bonds mature annually at amounts ranging from $340,000 to $680,000 with semiannual interest payments at rates ranging from 2.75 percent to 6.125 percent through June 1, 2046.
- Limited Tax General Obligation Refunding Bonds, Series 2021, in the original amount of $7,885,000, issued in May 2021 to refund the Limited Tax General Obligation Bonds, Series 2006 and Series 2007. The bonds bear interest rates of 3 percent. The bonds mature annually beginning in 2023 at amounts ranging from $420,000 to $640,000, with semiannual interest payments through December 2037.

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

Years Ending December 31,	Principal	Interest	Total
2022	$ 340,000	$ 720,631	$ 1,060,631
2023	645,000	712,863	1,357,863
2024	665,000	693,431	1,358,431
2025	685,000	672,825	1,357,825
2026	710,000	651,525	1,361,525
2027-2031	3,915,000	2,891,238	6,806,238
2032-2036	4,635,000	2,161,425	6,796,425
2037-2041	2,365,000	1,292,194	3,657,194
2042-2046	3,515,000	484,641	3,999,641
	$ 17,475,000	**$ 10,280,772**	**$ 27,755,772**

6. Long-term Debt and Capital Lease Obligations (continued):

The terms of the District's capital lease obligations follow:

- Wells Fargo equipment lease, due in monthly installments of $9,402, including interest at 3.37 percent, through May 2022; collateralized by equipment with a cost of $455,148 and accumulated depreciation of $313,100 and $248,649 as of December 31, 2021 and 2020, respectively.
- Stryker equipment lease, due in monthly installments of $6,076, including interest at 2.32 percent, through April 2022; collateralized by equipment with a cost of $290,974 and accumulated depreciation of $290,974 and $236,416 as of December 31, 2021 and 2020, respectively.

Scheduled principal and interest payments on capital lease obligations are as follows:

Years Ending December 31,	Principal	Interest	Total
2022	$ 61,031	$ 3,082	**$ 64,113**
	$ 61,031	**$ 3,082**	**$ 64,113**

7. Paycheck Protection Program Note Payable:

In April 2020, the District was granted a loan from First Southwest Bank in the aggregate amount of $3,740,044, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act Provider Relief Fund, which was enacted March 27, 2020.

The District received notice of forgiveness of the PPP loan in June 2021. The loan forgiveness has been recorded as a Gain on Forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position for the year ended December 31, 2021.

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 provision for bad debts and write-offs has increased significantly from the prior year due to significant increases in patient services and revenues. The District has not changed its charity care or uninsured discount policies during fiscal years 2021 or 2020. Patient service revenue, net of contractual adjustments 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	**$ 19,675,882**	$ 14,194,536
Medicaid	**4,506,384**	3,331,856
Other third-party payors	**8,186,091**	11,676,098
Patients	**3,011,829**	2,433,032
Provider fee	**3,187,647**	2,520,101
	38,567,833	34,155,623
Less:		
Charity care	**281,802**	282,687
Provision for bad debts	**2,547,165**	1,730,053
Net patient service revenue	**$ 35,738,866**	$ 32,142,883

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 and the clinic a rural health clinic by Medicare. The District is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

- *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. Medicaid outpatient services are paid based on prospectively determined rates. Rural health clinic encounters are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid. Physician services are reimbursed on a fee schedule.

8. Net Patient Service Revenue (continued):

- The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, 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 $50,000 and $350,000 in the years ended December 31, 2021 and 2020, respectively, due to differences between original estimates and final settlements.

During the year ended December 31, 2017, the District received notice that its Medicaid rural health clinic rates were being updated to the higher of the prospectively determined rate or the cost per encounter as determined by the District's annual Medicare cost reports. Rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing. As a result, Medicaid claims from 2017 through 2019 are being reprocessed, resulting in a payback of approximately $946,000 that was accrued at December 31, 2021. Net patient service revenue increased by approximately $128,000 in the year ended December 31, 2021, due to differences in the original estimates and final settlements. For the years ended December 31, 2021 and 2020, the District has estimated a receivable of approximately $236,000 and $204,000, respectively, for the rate reconciliation.

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 provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection 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 $154,000 and $163,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2021 and 2020.

9. CARES Act Provider Relief Fund:

As of December 31, 2021, the District received $6,128,960 of funding from the CARES Act. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2021 and 2020, the District recognized $4,225,159 and $1,234,026 of grant revenue from these funds, respectively. The District had $669,775 remaining as of December 31, 2021, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

10. Property Taxes:

The Archuleta, Hinsdale, and Mineral County Treasurers act as agents to assess and collect property taxes levied in the county for all taxing authorities. Property taxes are levied and assessed in December on property values assessed as of January 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. The assessed property is subject to lien on the levy date. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. No allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2021 and 2020, for taxes levied for 2022 and 2021, respectively.

For 2021, the District's regular tax levy was $3.884 per $1,000 on a total combined assessed valuation of $368,271,969, for a total regular combined levy of $1,434,016. For 2020, the District's regular tax levy was $3.884 per $1,000 on a total assessed valuation of $328,483,239, for a total regular levy of $1,277,441.

11. Defined Contribution Plans:

The District provides retirement benefits for all its employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA) (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Under the defined contribution retirement plan, the District is required to contribute 6 percent of employee compensation to the Plan.

Employees are required to participate in the Plan upon the first day of the payroll period after the employee's date of hire. The Plan provides retirement benefits based upon the employee's vested account. A participant becomes 100 percent vested upon completion of five years of covered service. Contributions by employees are immediately vested. Amounts forfeited by employees who leave employment before they become fully vested are applied to reduce future employer contributions. Under the Plan, employees direct the investment of both the employee and employer contributions among several investment options available through an outside plan administrator. Employer contributions to the Plan totaled approximately $1,238,000 and $1,186,000 for the years ended December 31, 2021 and 2020, respectively. Employee contributions to the Plan totaled approximately $1,238,000 and $1,186,000 for the years ended December 31, 2021 and 2020, respectively.

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, or death. The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they have been excluded from these financial statements.

The District made all required funding payments during the year.

12. Risk Management and Contingencies:

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

Medical malpractice claims – The District has professional liability insurance with COPIC Insurance Company (COPIC). The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies, as well as past incidents that are reported during the current term. The malpractice insurance provides $1,000,000 per claim of primary coverage with an annual aggregate limit of $3,000,000. The policy has a deductible of $50,000 per claim.

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

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 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.

Taxpayer's Bill of Rights – Colorado voters passed an amendment to the state constitution, Article X, Section 20, known as the *Taxpayer's Bill of Rights*. This amendment has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

13. Concentration Risks:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2021	2020
Medicare	**32 %**	29 %
Medicaid	**12**	12
Other third-party payors	**27**	36
Patients	**29**	23
	100 %	100 %

Physicians – The District is dependent on local physicians and mid-level providers 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 changes in their utilization patterns may have an adverse effect on District operations.

14. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by $1,139,856 in 2021.

SUPPLEMENTAL INFORMATION

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Net patient service revenue and 340B contract pharmacy	$ 31,726,703	**$ 33,971,485**	$ 2,244,782
Provider fees	2,160,116	**3,187,647**	1,027,531
Grants	346,440	**266,109**	(80,331)
Other	2,186,419	**208,716**	(1,977,703)
Total operating revenues	36,419,678	**37,633,957**	1,214,279
Operating expenses			
Salaries and wages	19,946,262	**20,776,614**	(830,352)
Employee benefits	3,503,087	**3,278,759**	224,328
Professional fees and other purchased services	2,272,270	**2,440,059**	(167,789)
Supplies	6,212,931	**6,054,530**	158,401
Utilities	439,776	**430,349**	9,427
Depreciation and amortization	1,948,200	**1,802,311**	145,889
Leases and rentals	172,923	**451,270**	(278,347)
Repairs and maintenance	590,918	**539,480**	51,438
Insurance	311,650	**339,605**	(27,955)
Provider fees and other	1,688,353	**2,113,249**	(424,896)
Total operating expenses	37,086,370	**38,226,226**	(1,139,856)
Operating loss	(666,692)	**(592,269)**	74,423
Nonoperating revenues (expenses)			
Property taxes	1,200,000	**1,434,731**	234,731
Interest expense	(1,012,430)	**(976,848)**	35,582
CARES Act Provider Relief Fund	500,000	**4,225,159**	3,725,159
Interest income	-	**31,470**	31,470
Total nonoperating revenues, net	687,570	**4,714,512**	4,026,942
Excess of revenues over expenses before gain on forgiveness of Paycheck Protection Program loan and capital grants and contributions	20,878	**4,122,243**	4,101,365
Gain on forgiveness of Paycheck Protection Program loan	-	**3,740,044**	3,740,044
Capital grants and contributions	200,000	**895,277**	695,277
Change in net position	**$ 220,878**	**$ 8,757,564**	**$ 8,536,686**

See accompanying independent auditors' report.

SINGLE AUDIT

AUDITORS’ SECTION

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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
Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Pagosa Springs, 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 Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District) which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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, and 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 20, 2022

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Board of Directors
Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Pagosa Springs, Colorado

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Upper San Juan Health Service District doing business as Pagosa Springs Medical Center'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 the District's major federal program for the year ended December 31, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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.

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 the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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.

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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 GAAS, *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 the major federal program as a whole.

In performing an audit in accordance with GAAS, *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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 20, 2022

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Schedule of 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?	___ yes _X_ no
• Significant deficiency(ies) identified?	___ yes _X_ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	___ yes _X_ no
• Significant deficiency(ies) identified?	___ yes _X_ none reported
Type of auditors' report issued on compliance for major federal programs:	***Unmodified***
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes _X_ no

Identification of Major Federal Program:

Federal Assistance Listing Number	*Name of Federal Program or Cluster*
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

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

Auditee qualified as low-risk auditee? ___ yes _X_ no

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

Section II – Financial Statement Findings

No matters were reported for 2021. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for 2021. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification		Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:					
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	$	5,068,354
COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		COVID-19		202,337
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19		100,000
Total U.S. Department of Health and Human Services Direct Programs					5,370,691
U.S. Department of Health and Human Services Pass-through Programs from:					
Colorado Rural Health Center					
Rural Health Research Centers	93.155	Not provided	COVID-19		124,220
Small Rural Hospital Improvement Grant Program	93.301	Not provided	COVID-19		2,188
Total U.S. Department of Health and Human Services Pass-through Programs					126,408
Total U.S. Department of Health and Human Services					5,497,099
Total U.S. Department of the Treasury Pass-through Programs from:					
Colorado Department of Local Affairs					
Coronavirus Relief Fund	21.019	SD-301, RF-050, CVRF-RF-124, CVRF-RF-175	COVID-19		555,027
Total expenditures of federal awards				**$**	**6,052,126**

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 Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District), under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Federal Assistance Listing number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based upon the June 30, 2021, Provider Relief Fund report. 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 position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the 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 to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

The audit for the year ended December 31, 2020, reported no audit findings, nor were there any unresolved findings from periods ended December 31, 2019, or prior. Therefore, there are no matters to report in this section for the year ended December 31, 2021.

Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Financial Indicators

December 31, 2021

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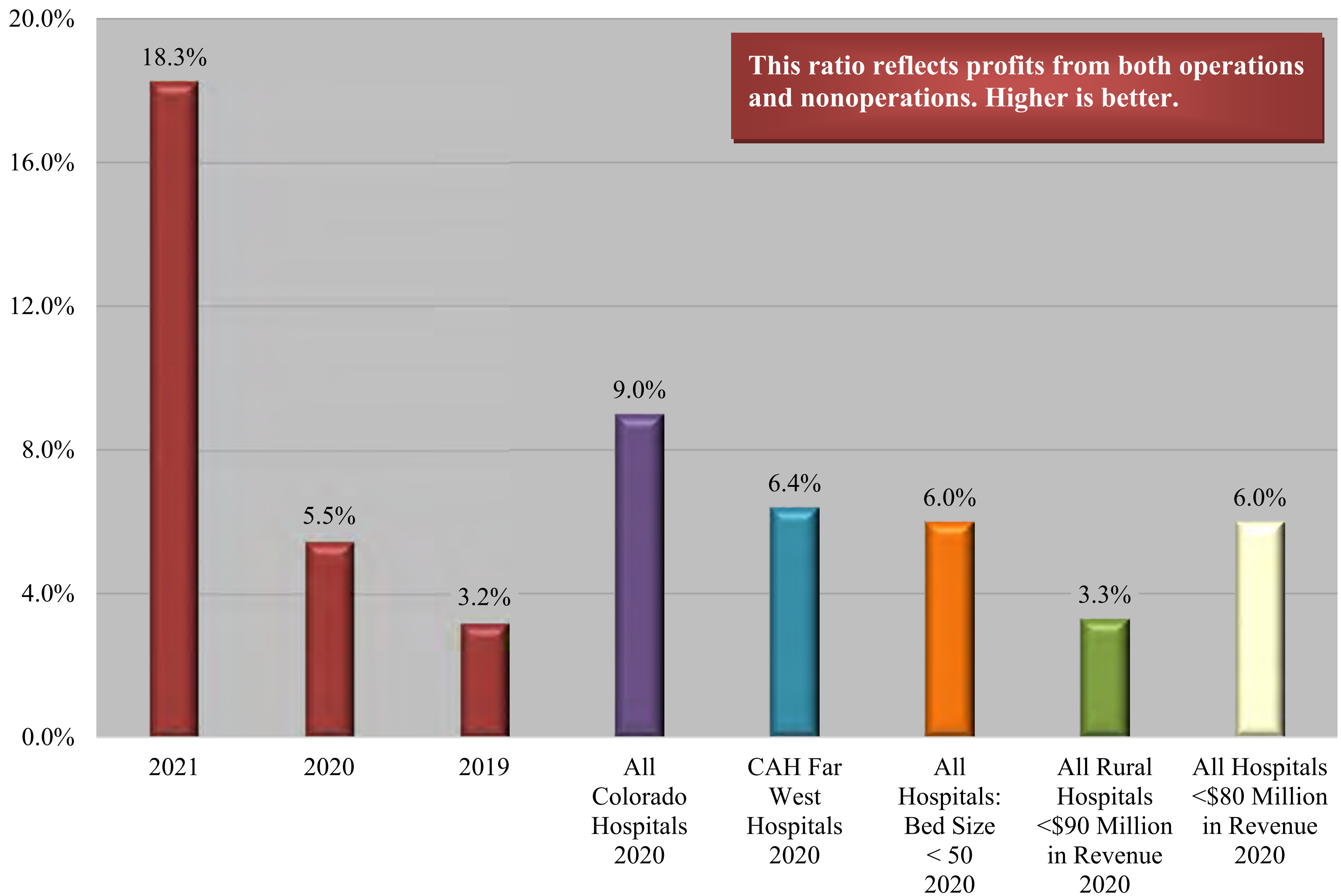
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Total Margin

$$\frac{\text{Change in Net Position}}{\text{Total Revenues}}$$



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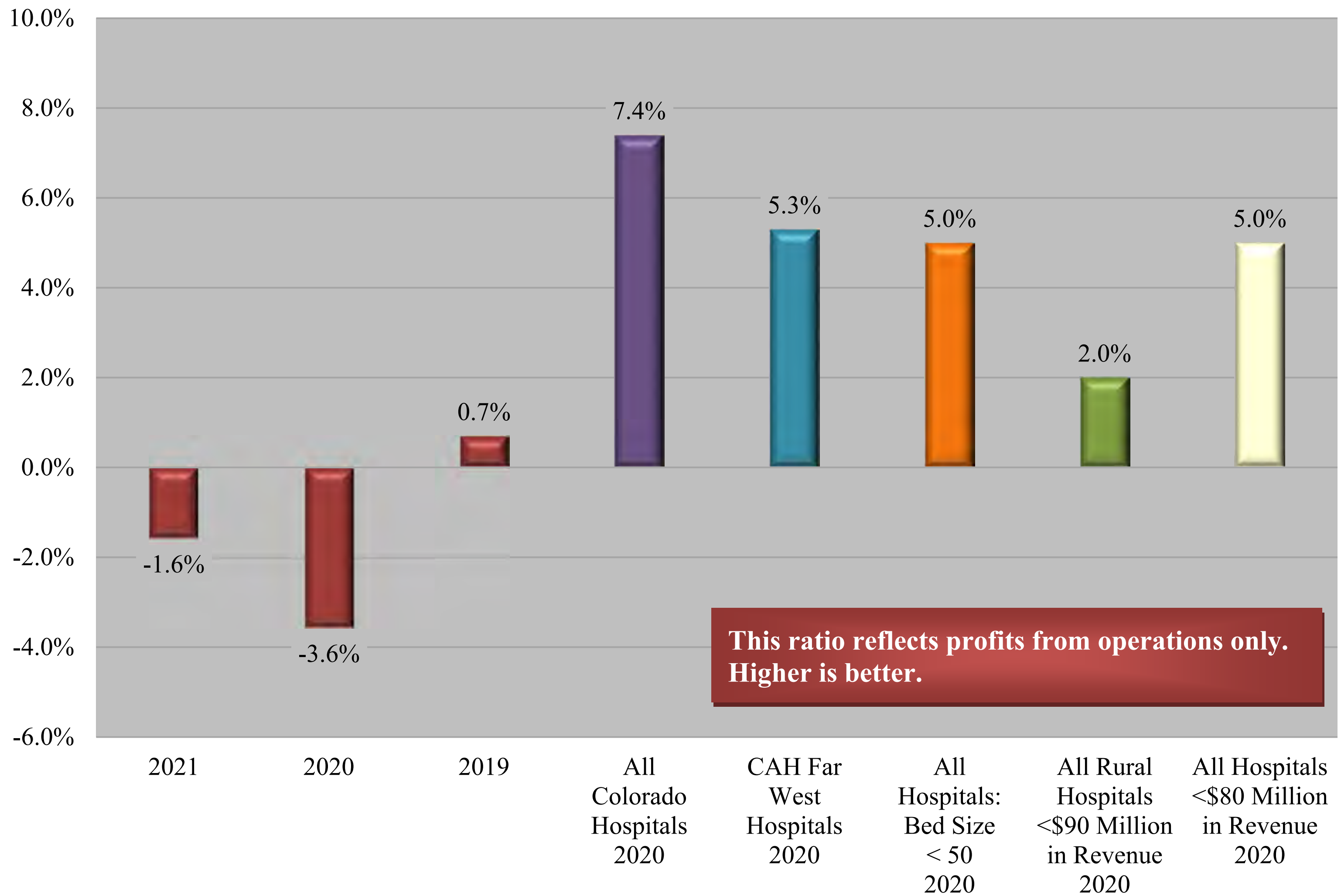
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Operating Margin

$$\frac{\text{Operating Income (Loss)}}{\text{Total Operating Revenues}}$$



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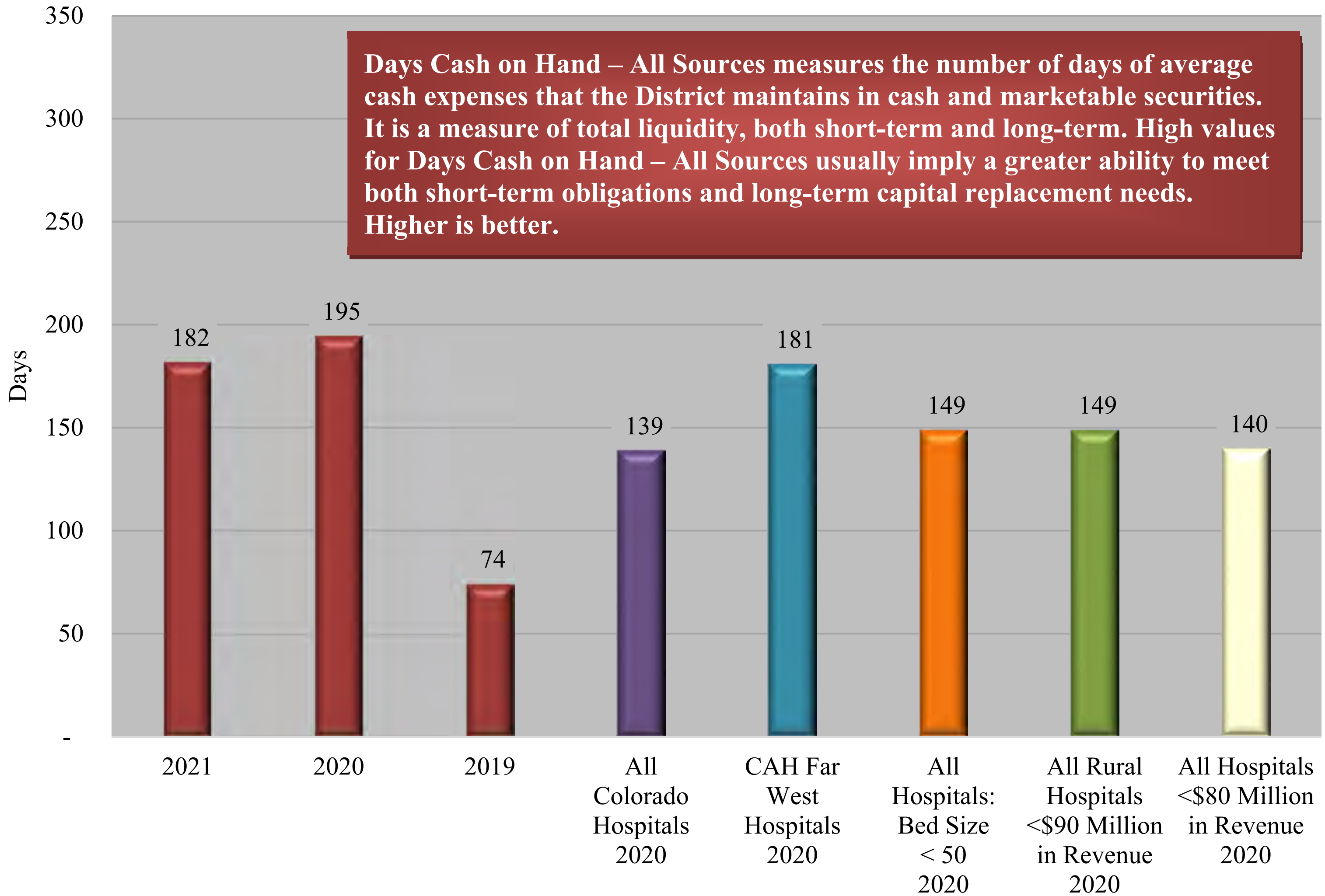
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Days Cash on Hand – All Sources

$$\frac{\text{Cash + Short-term Investments + Unrestricted Long-term Investments}}{\text{(Total Expenses - Depreciation) / 365}}$$



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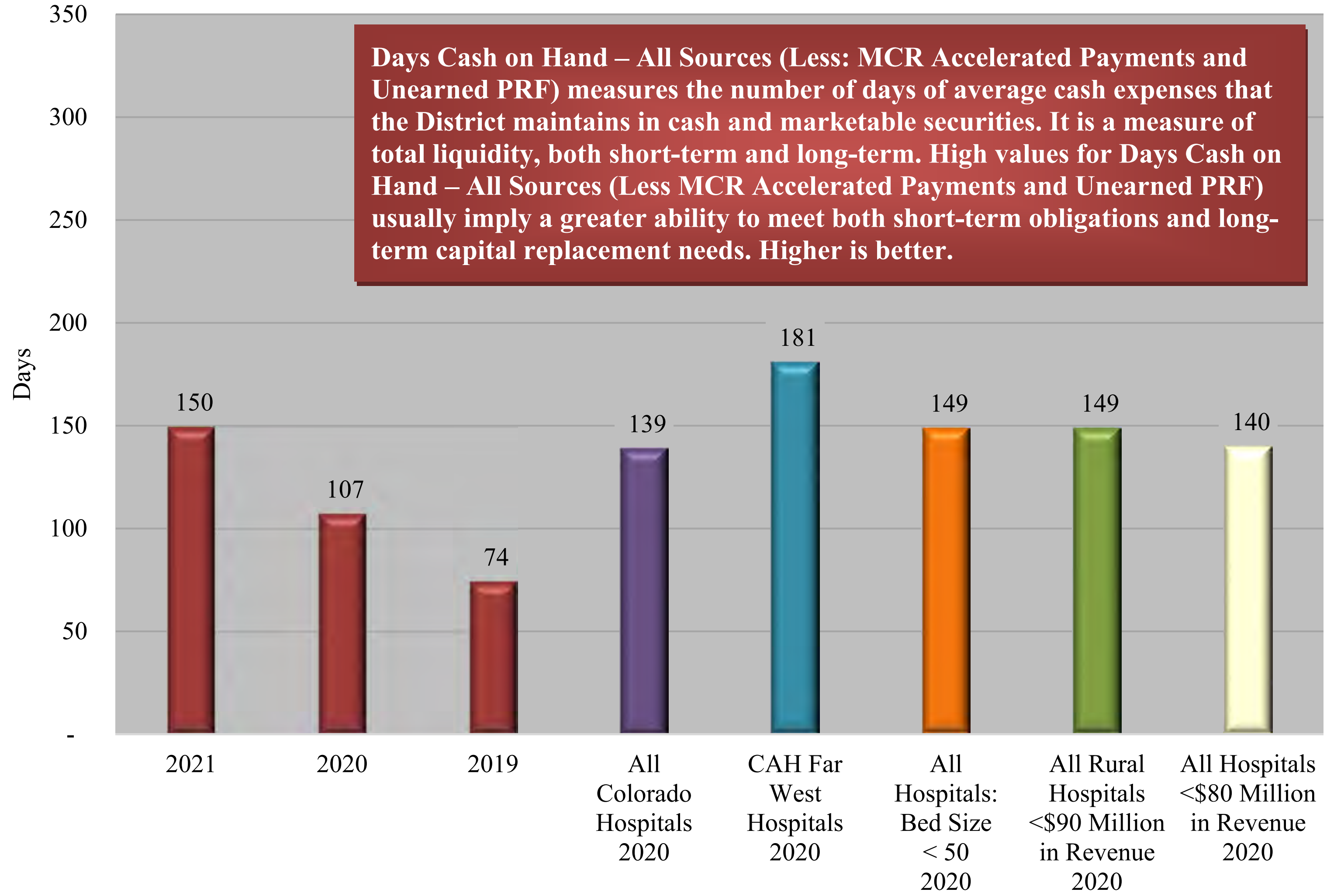
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Days Cash on Hand – All Sources (Less: MCR Accelerated Payments and Unearned PRF)

$$\frac{\text{Cash + Short-term Investments + Unrestricted Long-term Investments}}{\text{(Total Expenses - Depreciation) / 365}}$$



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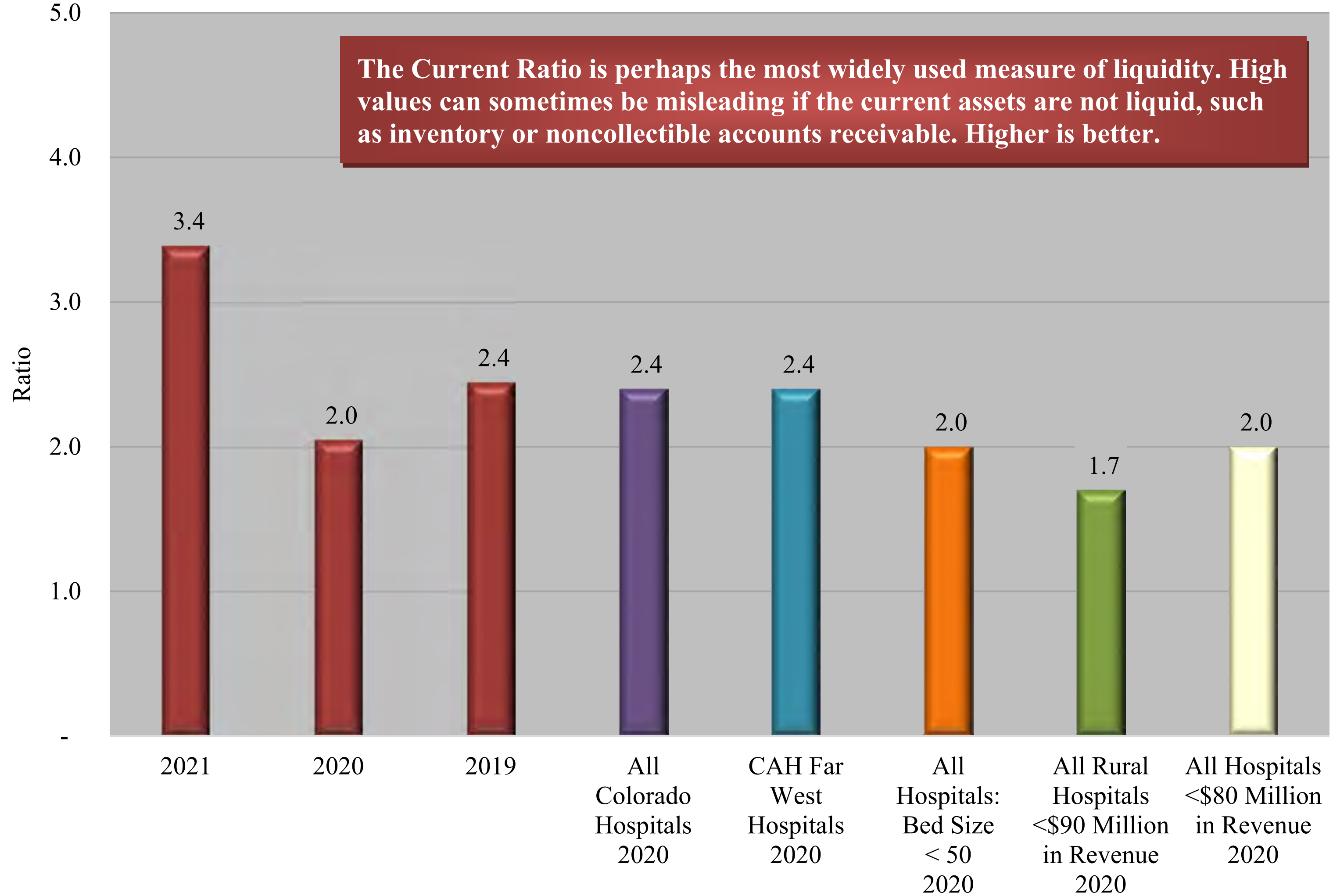
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Current Ratio

$$\frac{\text{Total Current Assets}}{\text{Current Liabilities}}$$



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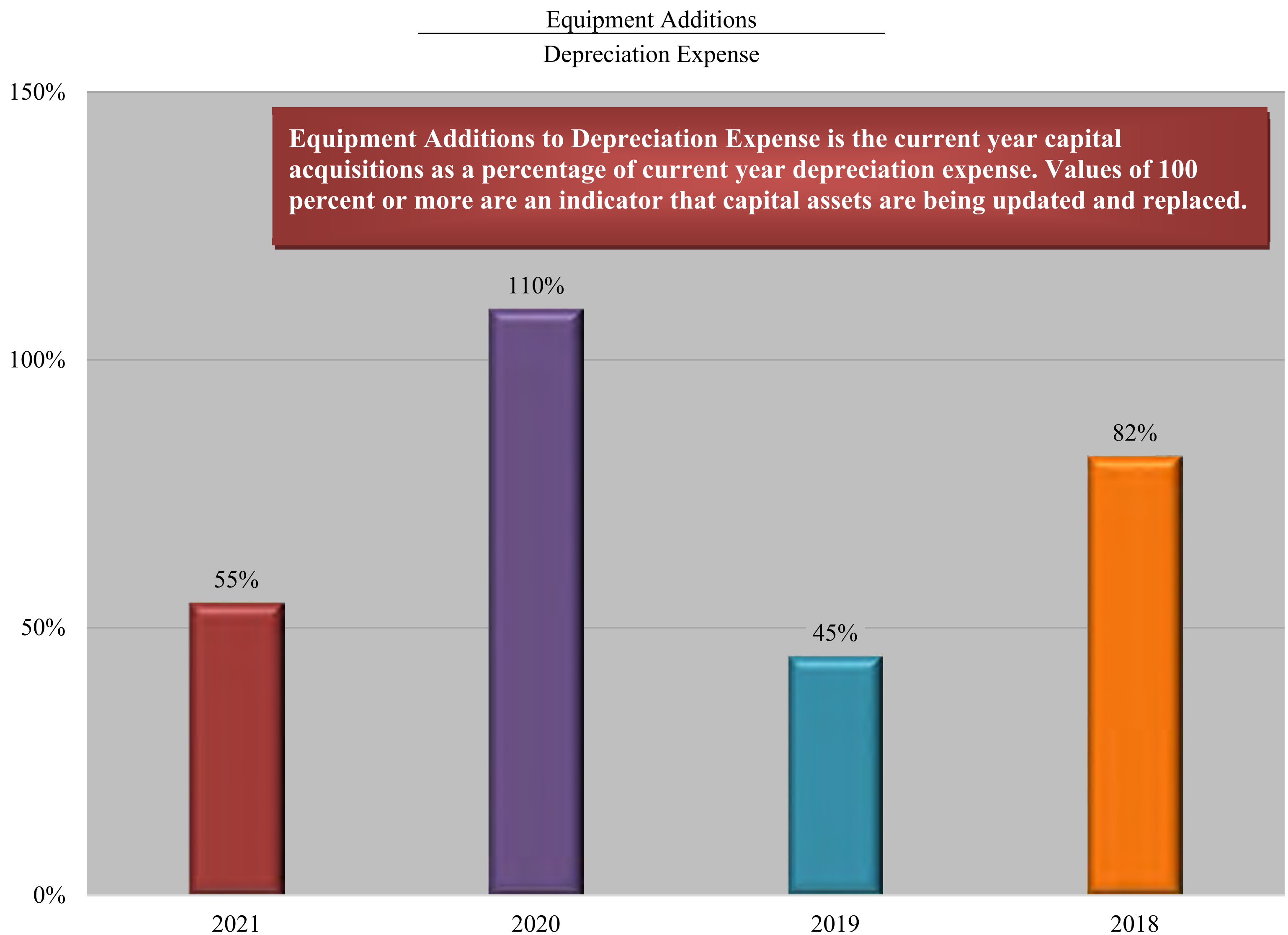
doing business as
Pagosa Springs Medical Center

Equipment Additions to Depreciation Expense



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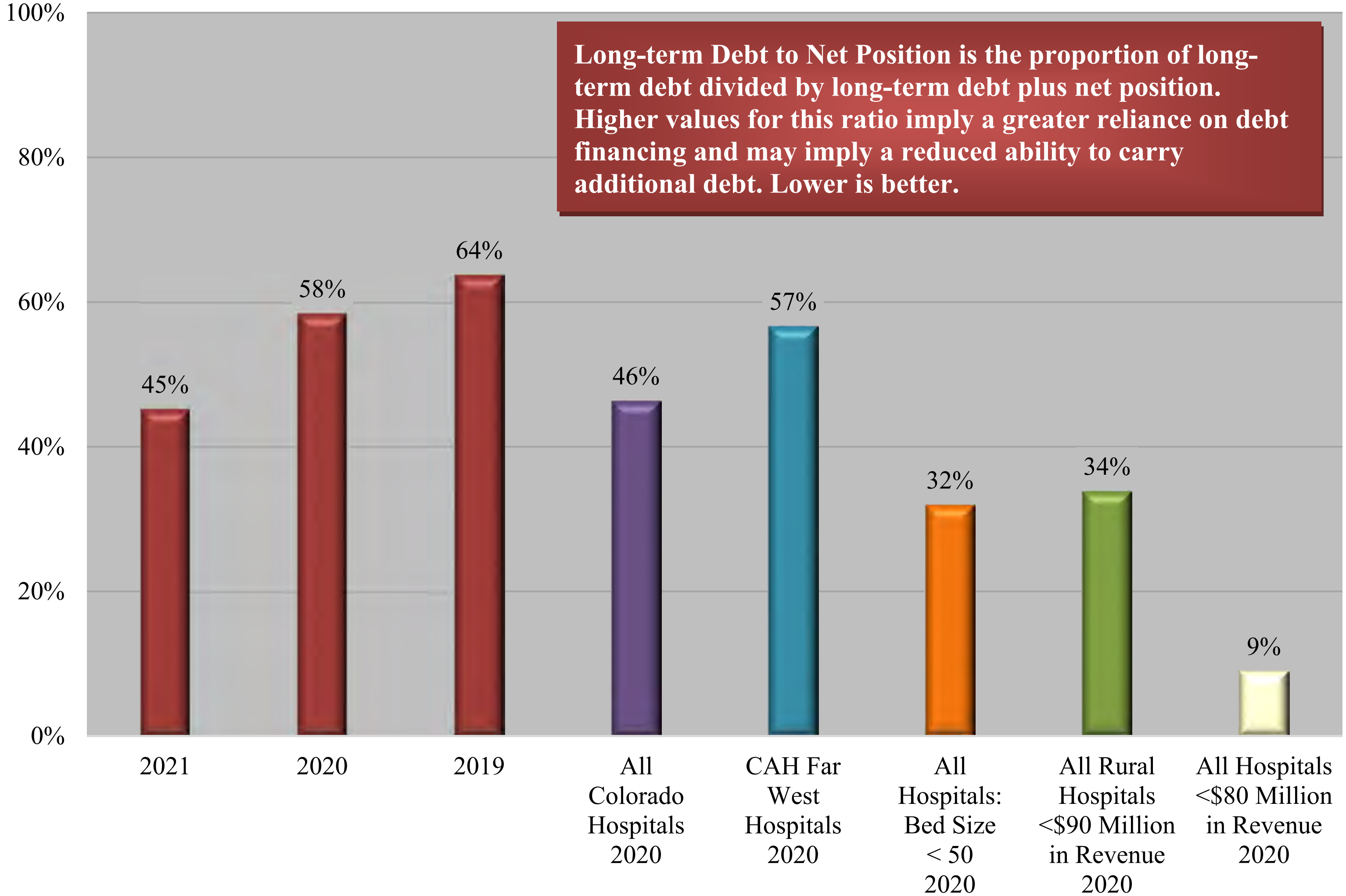
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Long-term Debt to Net Position

$$\frac{\text{Long-term Debt}}{\text{Long-term Debt + Net Position}}$$



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Upper San Juan Health Service District
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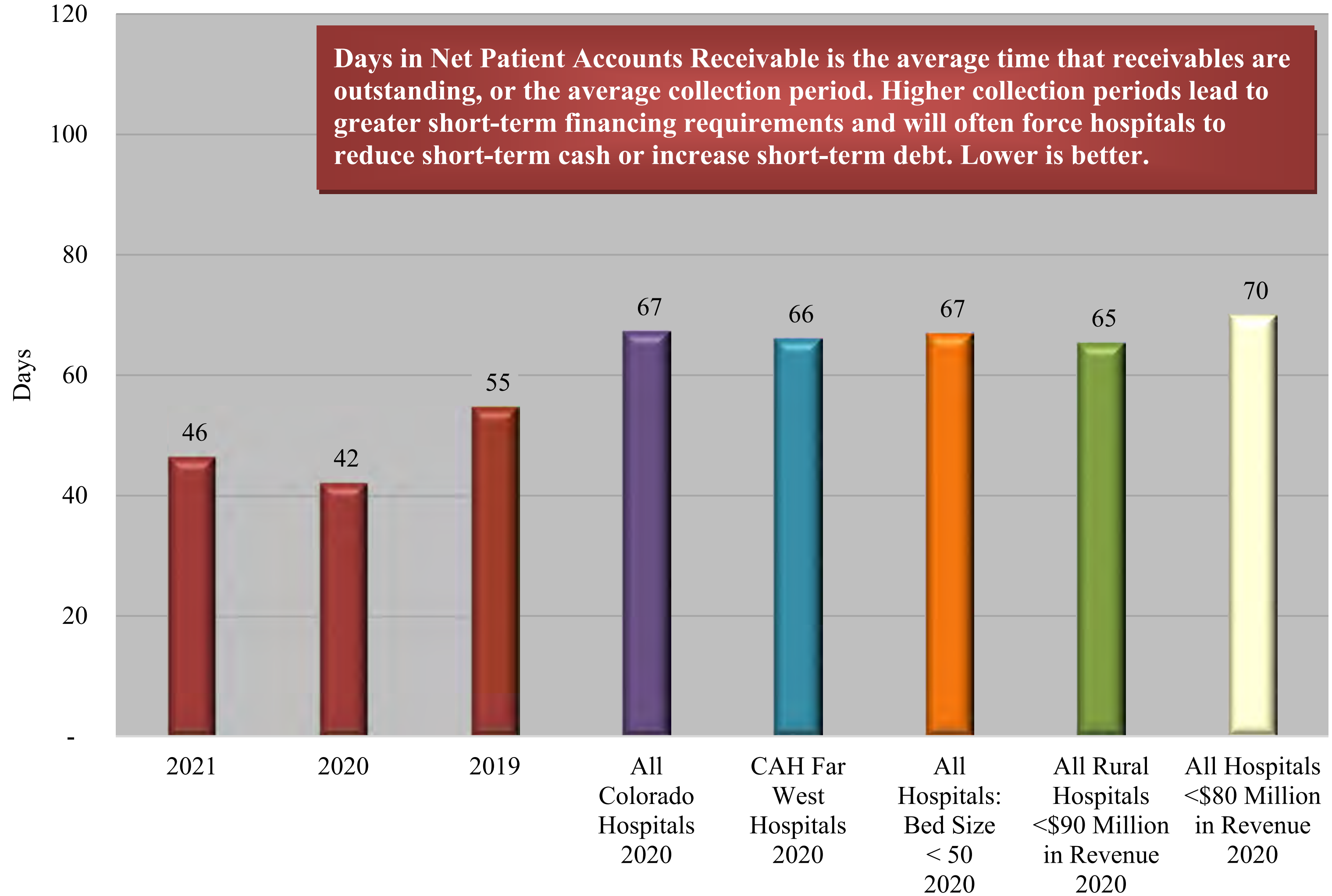
Pagosa Springs Medical Center

Days in Net Patient Accounts Receivable

$$\frac{\text{Net Patient Accounts Receivable}}{\text{Net Patient Service Revenue / 365}}$$



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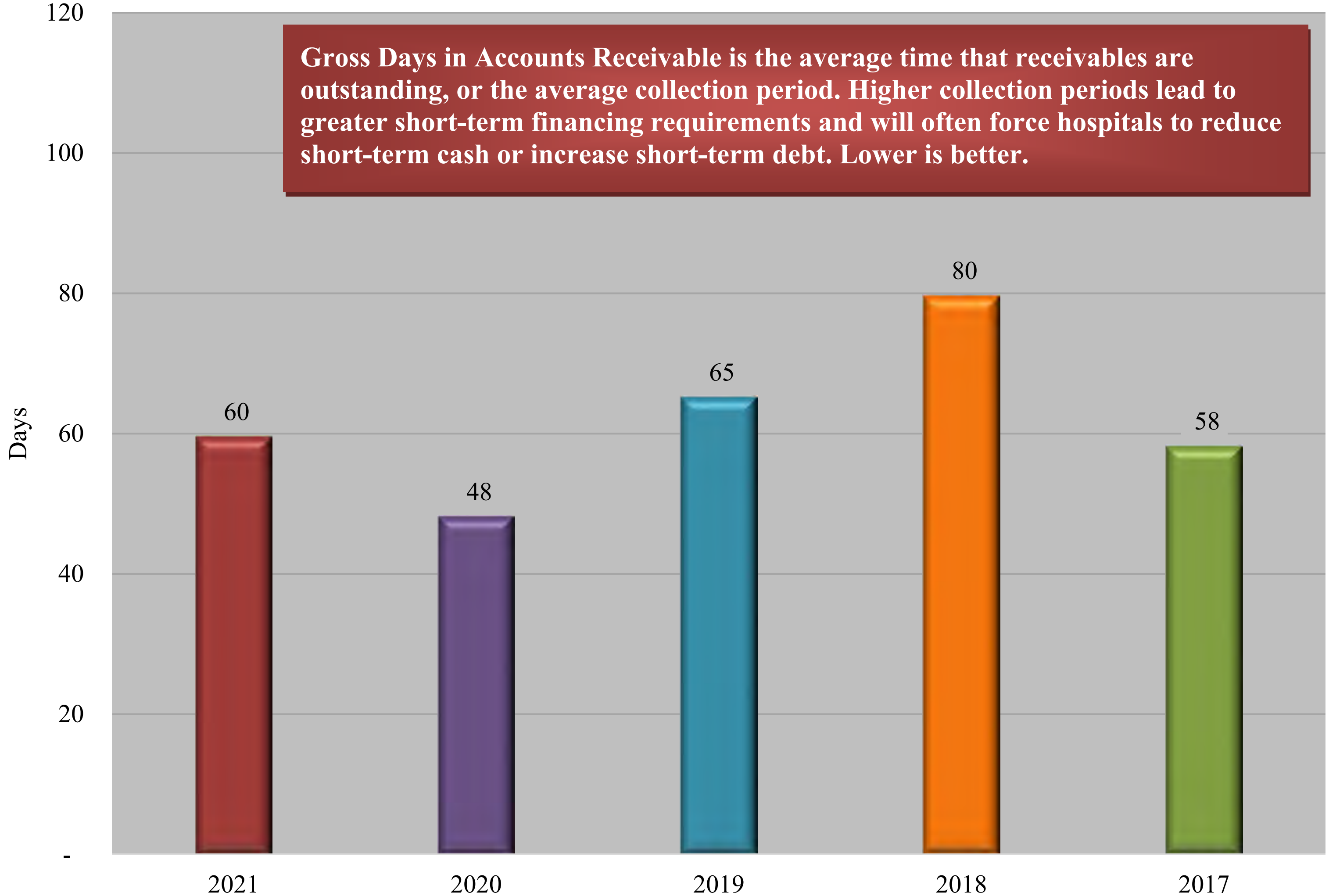
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Gross Days in Accounts Receivable

$$\frac{\text{Gross Patient Revenues}}{\text{Average Daily Hospital Revenue (Revenue/365)}}$$



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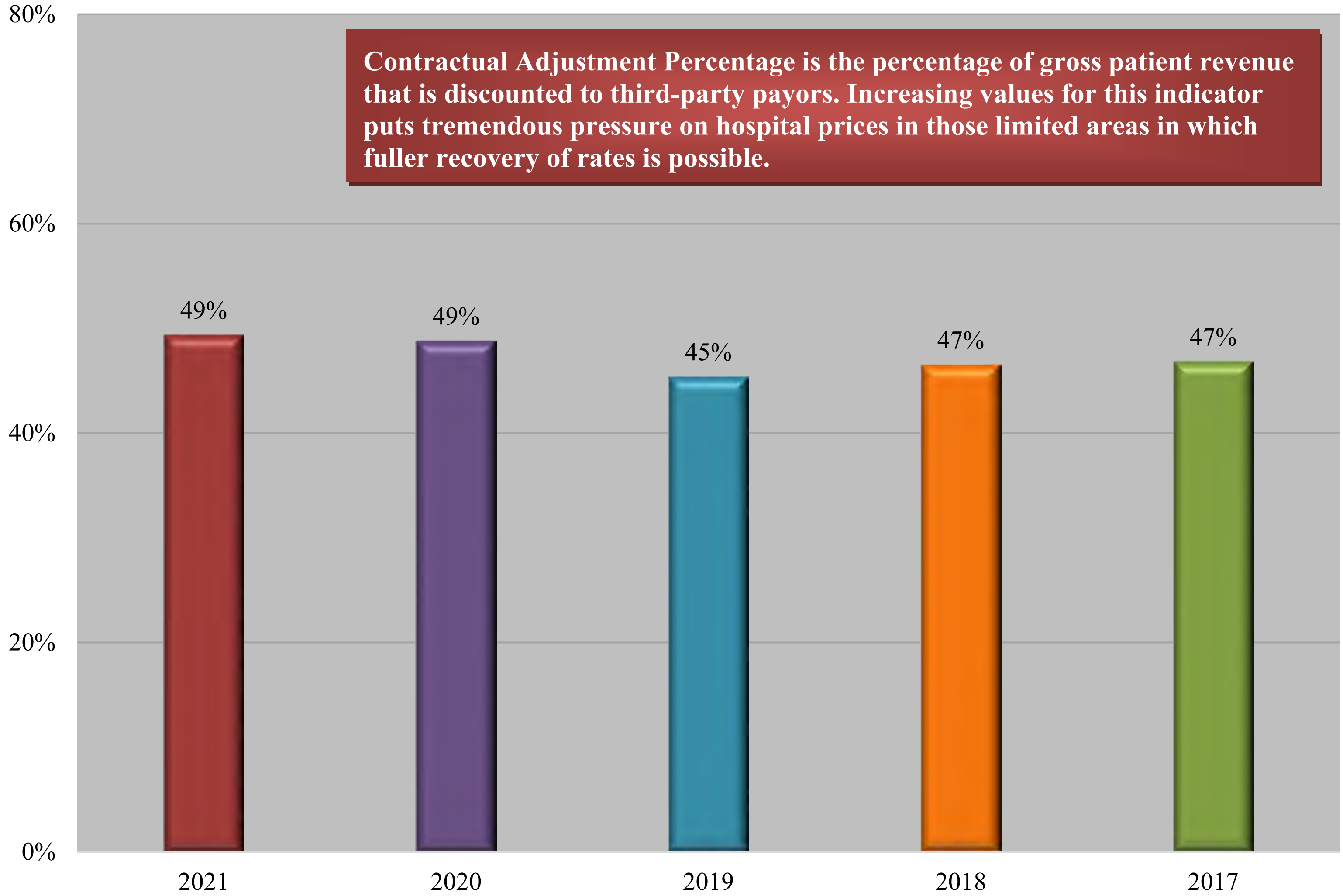
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Contractual Adjustment Percentage

$$\frac{\text{Contractual Adjustments}}{\text{Gross Patient Revenues}}$$



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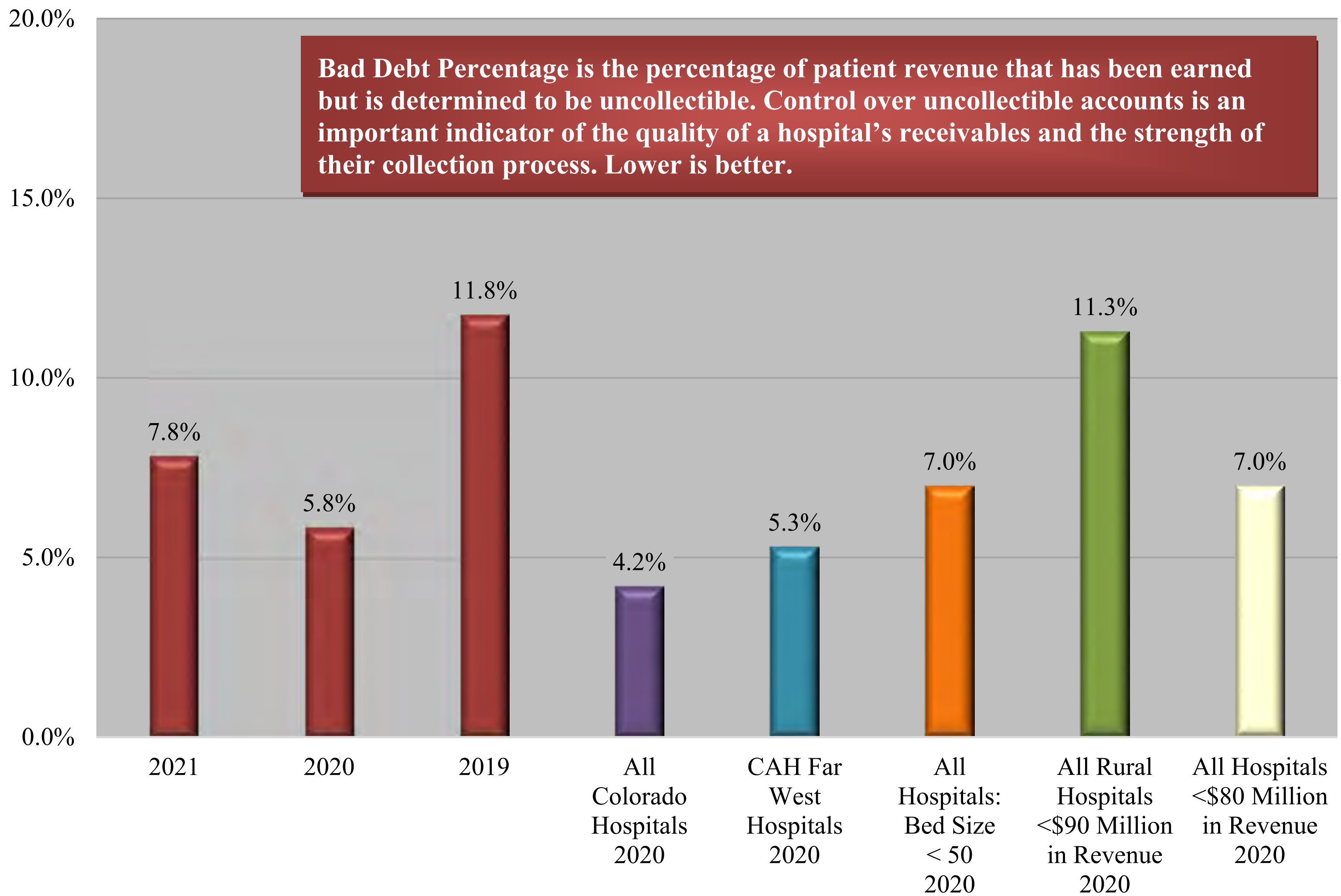
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Bad Debt Percentage

$$\frac{\text{Provision for Bad Debt}}{\text{Net Patient Revenue}}$$



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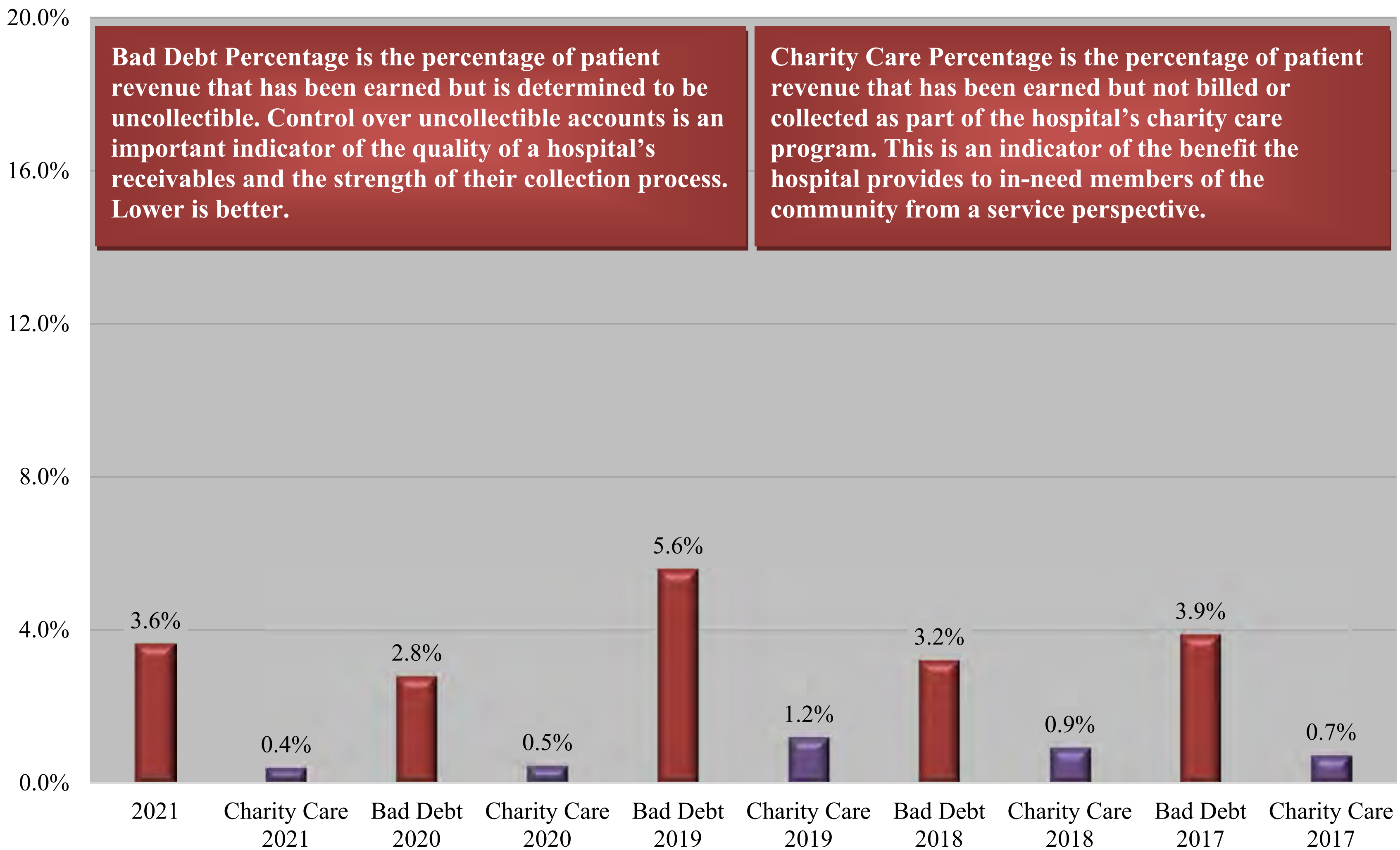
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Bad Debt and Charity Care Percentage

$$\frac{\text{Provision for Bad Debt or Charity Care}}{\text{Gross Patient Revenues}}$$



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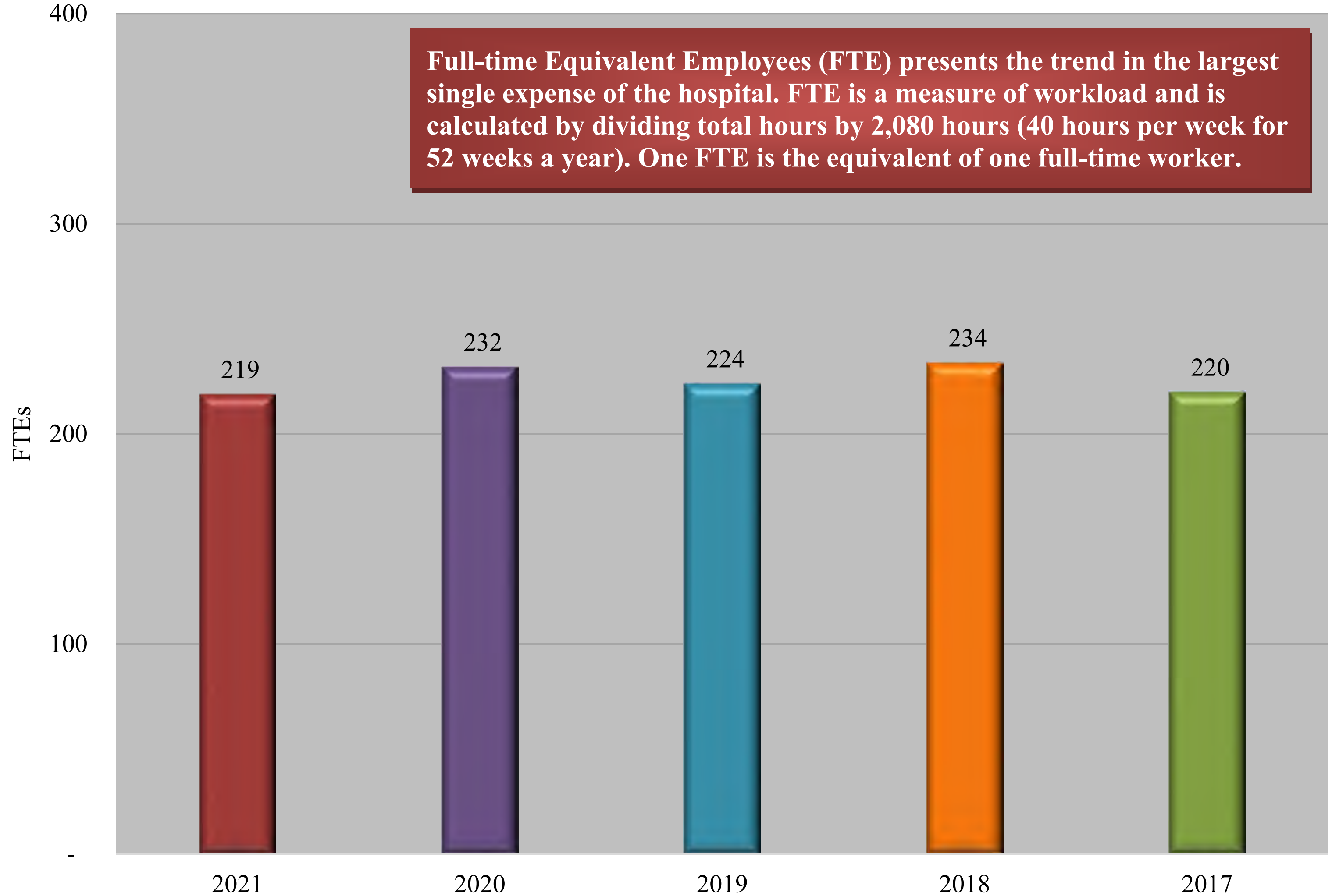
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Full-time Equivalent Employees (FTE)



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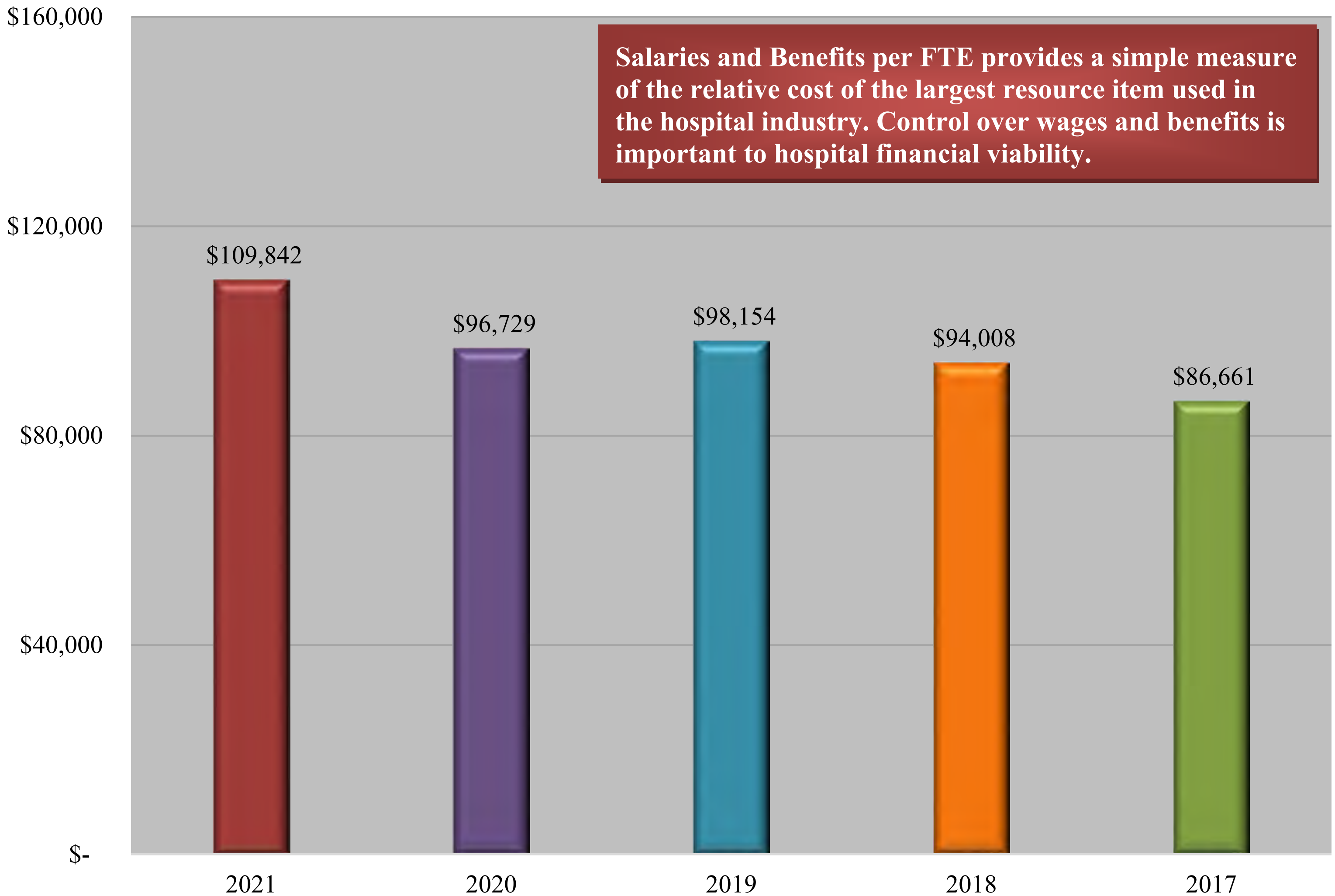
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Salaries and Benefits per FTE

$$\frac{\text{Total Salaries + Total Benefits}}{\text{FTEs}}$$



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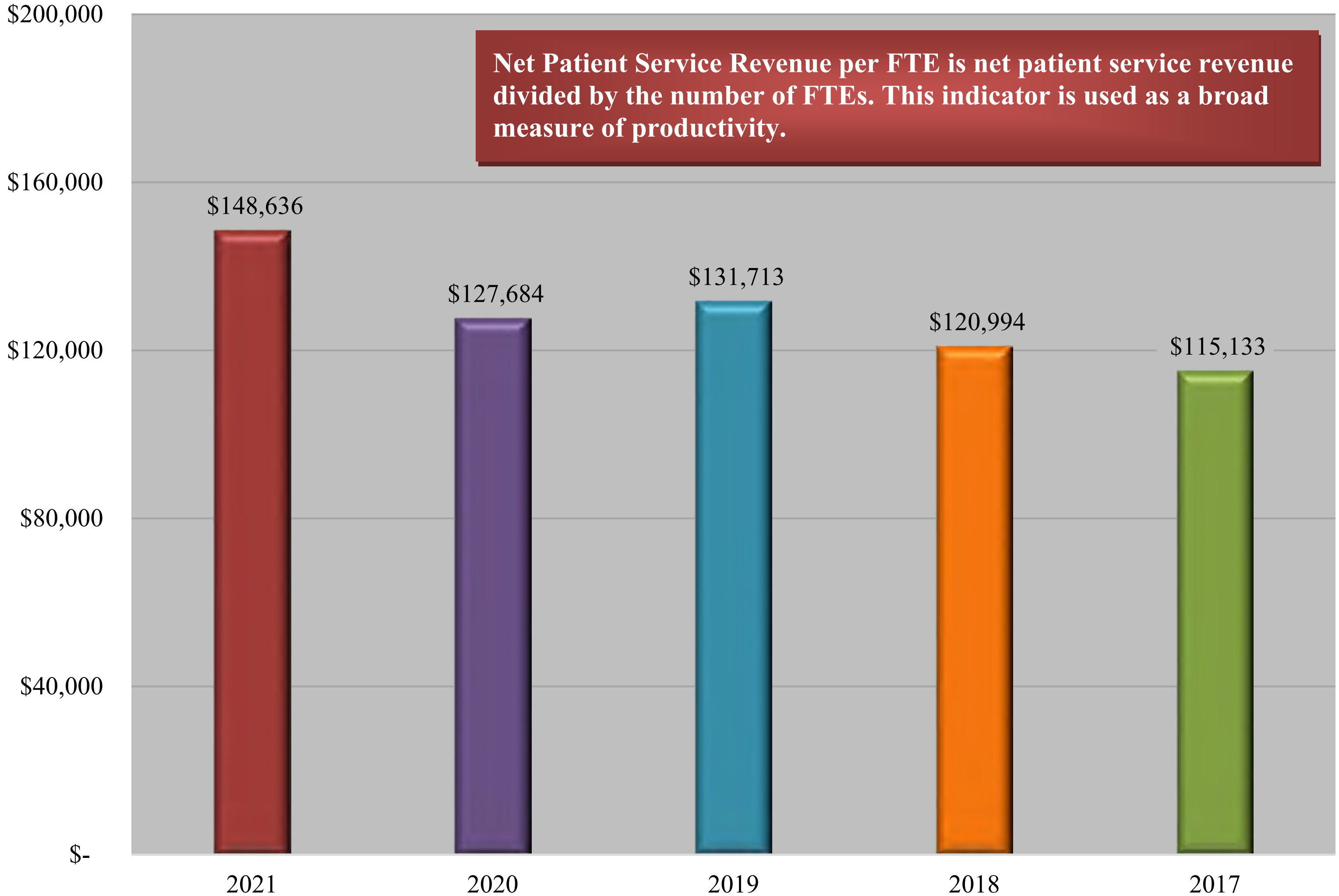
Upper San Juan Health Service District
doing business as
Pagosa Springs Medical Center

Net Patient Service Revenue per FTE

$$\frac{\text{Net Patient Service Revenue}}{\text{FTE}}$$



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Certified Public Accountants

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Board of Directors
Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Pagosa Springs, Colorado

We have audited the financial statements of Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated November 23, 2021 and March 30, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the allowance for uncollectible accounts and contractual adjustments is based on historical collection rates and an analysis of the collectibility of existing accounts receivable.
- Management's estimate for third-party settlements is based on interim payments, District expenses, and patient statistical data.
- Management's estimate of the liability for employee health insurance claims incurred but not reported is based on historical data regarding the average cost and timing of employee health insurance claims.
- Management's estimate of CARES Act Provider Relief recognized is based on qualifying expenses based on current guidance.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the exclusion of the Dr. Mary Fisher Medical Foundation doing business as Pagosa Springs Medical Center Foundation from the financial statements is immaterial to the financial statements taken as a whole. Dr. Mary Fisher Medical Foundation doing business as Pagosa Springs Medical Center Foundation's total assets at December 31, 2021, were approximately $1,223,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls.
- The patient accounts receivable allowance for contractual adjustments and doubtful accounts (allowance) contains a risk of improper revenue recognition.
- Estimated third-party payor settlements contain a risk of improper revenue recognition.
- The Provider Relief Fund revenue could be overstated or understated.
- There is a risk that the Schedule of Expenditures of Federal Awards (SEFA) could be missing federal expenditures.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of budget and actual revenues and expenses, which accompanies the financial statements but is not required supplementary information. The accompanying schedule of expenditures of 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. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 20, 2022

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Board of Directors
Upper San Juan Health Service District
doing business as Pagosa Springs Medical Center
Pagosa Springs, Colorado

In planning and performing our audit of the financial statements of Upper San Juan Health Service District doing business as Pagosa Springs Medical Center (the District) for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 20, 2022, on the financial statements of the District. We will review the status of the comments during our next audit engagement. Our comments are summarized as follows:

Allowance for doubtful accounts – During our audit, we noted a new general ledger account was created to separately track patient accounts receivable sent to collections. This account was not included in the year end calculation to estimate the allowance for uncollectible accounts, resulting in a material audit adjustment being posted to properly value the receivables at the amount estimated to be collectible as of December 31, 2021. We recommend all significant receivable balances be reviewed for collectibility, at least annually.

Policies and procedures over federal awards – Acceptance of federal grant funding requires the establishment of written policies and procedures over federal awards. These policies and procedures should include how federal award compliance requirements are monitored and how compliance with such requirements, is ensured. We recommend the District document its policies and procedures over federal awards to help ensure compliance with federal awards.

We will review the status of this comment during our next audit engagement. This letter does not affect our report dated June 20, 2022, on the financial statements of the District.

Closing

We wish to thank the Chief Financial Officer, Controller and the accounting department for their support and assistance during our audit.

This communication is intended solely for the use of the Board of Directors and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 20, 2022

Finance Committee & CFO Report for the USJHSD Board Meeting on June 28, 2022

The Board's Finance Committee met on June 27, 2022. The report below provides an overview of the financials and addresses any questions made by members of the Finance Committee.

1) **May Financials**:

a) **Bottom line and Income Statement**:

i) Historically PSMC operates in the negative until summer.

ii) On the Income Statement:

(1) Gross Revenue: Gross patient revenues are 5% higher than budget.

(2) Deductions to Gross Revenues for Payer Contractuals, Charity and Bad Debt: Each month PSMC has deductions to its revenue for bad debt, charity care as well as deductions made by third-party payers (Medicare and commercial insurers) that are referred to as payer contractuals. Year to date, these deductions to revenue are slightly less than budget.

(3) Non-Cash Expenses: PSMC had two unplanned noncash expenses in May:

(a) Noncash expense of $591,680 for sick and public health emergency leave for employees. As relayed at the April Board meeting, Colorado law has required sick and public health emergency leave since 2021. An employer's existing paid time off plan can satisfy the sick leave, but it turns out there are many management limitations to this (limits on discipline, required notice and certain aspects cannot be accrued but must be immediately available). PSMC adjusted its existing PTO plan to include sick and public health emergency leave that meet the management limitations. This leave is a noncash expense of $255,680 to 2022 and $336,000 to 2021.

(b) Noncash expense of $403,678 to accrue PTO of employees with an employment contract. As discussed with the Board in February, PSMC has historically contractually required employees with an employment contract to forfeit PTO when they leave employment; however, as a result of a change in 2021 case law, such contract provisions are no longer enforceable. The PTO for employees with an employment contract is the same, but it is no longer a contingent expenditure and was added as a liability on the balance sheet.

(4) Contract labor expenses for traveler staffing (nursing and lab) continues to greatly exceed budget – in May this expense was $470,321 greater than budget.

(5) Net Revenues: Due to expenses (described above), PSMC fell short of budget by $449,450.

iii) Days of accounts receivable continued at A/R 52.3 days.

b) **Balance Sheet**:

i) As of May 31, 2022, PSMC has 133.44 days of cash on hand.

ii) On the Balance Sheet, PSMC has additional cash on hand that appears as both an asset and a liability as follows:

(1) $669,775 (additional 6.05 days of cash) of CARES Funding (appears in the Assets column as "Relief Fund Restricted" and in the Liabilities column as "Relief Fund Liability").

(2) $1,384,122 (additional 12.5 days of cash) of Medicare Accelerated Payment – in 2020, Medicare made an advance which PSMC applies against sums due to PSMC for Medicare services. Staff reported that these funds are being applied at a faster rate so we will see these funds depleted at a faster rate than the past. Any sums

not applied through September 2022 are returned to Medicare.

2) **Audit**. The auditor presented, via Zoom, the audit to the Finance Committee. As set forth in the letters from the auditor to the Board of Directors, the auditor concluded that the financial statements "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." With respect to federal Payroll Protection funds and stimulus funds, the auditor noted: (a) the District expended funds to maintain staffing in 2020 but the PPP forgiveness for those expenses were recognized in 2021; and (b) the District recognized stimulus funds for expenditures of the District to respond to the pandemic.

3) **Pruitt Building.** The Finance Committee discussed PSMC's financial condition as it relates to the possible Pruitt Building acquisition and will report the same to the Board of Directors in executive session.

4) **Finance Committee Recommendations**: The Finance Committee recommends acceptance of the May 2022 financial reports as presented.

CHASE

June 27, 2022

Jason Simmons
Hilltop Securities
Jason.simmons@hilltopsecurities.com

Ann Bruzzese
PSMC
ann.bruzzese@psmedicalcenter.org

Chelle Keplinger
PSMC
Chelle.keplinger@psmedicalcenter.org

RE: Private Placement for $2,315,000 Upper San Juan Health Service District, Lease Purchase Financing or Certificate of Participation, Series 2022

JPMorgan Chase Bank, NA ("Bank") is pleased to submit this proposal for tax-exempt financing to Upper San Juan Health Service District (the "District"), dba Pagosa Springs Medical Center. This proposal is presented in the form of a binding "Term Sheet," subject to negotiation and acceptance of all terms, conditions and documentation for the transaction. The Term Sheet signifies a commitment by Bank to extend credit or purchase the Certificate.

FORM OF CERTIFICATE: Bank will require a single term certificate with annual principal payments equivalent to the preliminary maturity schedule, and without DTC registration. Bank will not require either a rating for the Certificate or the purchase of credit enhancement for repayment.

USE OF PROCEEDS: The District seeks to purchase 2.3 acres of land together with an 8,605 square foot commercial building known as the "Pruitt Property". The Pruitt Property is a corner lot located at the intersection of Highway 160 and South Pagosa Blvd. The Pruitt Property is bordered by District property with access via an easement through the entrance to Pagosa Springs Medical Center. The Pruitt Property served as one of the first medical office buildings in Pagosa Springs until Dr. Jim Pruitt, one of the first physicians to practice in Archuleta County, closed his practice in 2013. From 2014-2017, the District leased the Pruitt Property for administrative staff. The Pruitt Property is strategically located to serve the expanding space needs of the District.

2022 LEASED PROPERTY The 2022 Leased Property will consist of the Pruitt Property being purchased with proceeds from the 2022 Financing.

ELIGIBILITY: The Certificate will be designated as "bank qualified" tax-exempt obligations under the Code Section 265(b)(3).

PRINCIPAL AMOUNT: Not exceeding $2,315,000

FINANCING TERM: Final maturity of December 1, 2037

REPAYMENT TERMS: Fifteen (15) consecutive and unequal annual payments of principal on December 1, commencing December 1, 2023; and according to the preliminary amortization schedule included in the request for financing proposal; semi-annual payments of accrued interest on each June 1 and December 1, commencing December 1, 2022.

INTEREST RATE: *The Certificate would accrue interest at a fixed rate per annum as set forth below based upon the option selected by the District, the rates provided below are based upon market conditions as of June 27, 2022. The actual rate of interest borne by the Bonds will be set by mutual agreement between Bank and the Issuer upon receipt of signed acceptance, which must occur within 45 days of closing.*

The interest rate will be fixed as described above, however, prior to acceptance, the interest rate may increase if the Bank's cost of funds increases. Bank's cost of funds may increase due to a number of factors including, but not limited to, changes in market conditions. Interest will be calculated on a 30/360 basis.

OPTION A: Non-Callable BQ Tax-Exempt Fixed Rate of 3.13%

OPTION B: Callable BQ Tax-Exempt Fixed Rate of 3.54%. Optional redemption permitted subsequent to December 1, 2024, at par plus accrued interest and without penalty.

OPTION C: Callable BQ Tax-Exempt Fixed Rate of 3.38%. Optional redemption permitted subsequent to December 1, 2027, at par plus accrued interest and without penalty.

OPTION D: Callable BQ Tax-Exempt Fixed Rate of 3.21%. Optional redemption permitted subsequent to December 1, 2032, at par plus accrued interest and without penalty.

SECURITY: The land and building constituting the 2022 Leased Property will be purchased by the District and then be leased by the District to the Lender or a Trustee in a Site Lease of approximately 25 years. The District will lease the Leased Property back from the Trustee or Lender under the terms of a Lease Agreement for a period of approximately 15 years. Subject to annual appropriation, the District will make annual Base Rental payments to the Lender under the terms of the Lease. The Site Lease will terminate upon the earlier of the full payment of the Lease, or upon its expiration. Annually appropriated lease payments may be paid from any available revenues of the District, including all legally available revenues generated by the District. No provision of the Resolution, the Lease or the Site and Improvement Lease shall be construed as constituting or giving rise to a general obligation or other indebtedness or multiple fiscal year financial obligation of the District within the meaning of any constitutional or statutory debt limitation nor a mandatory charge or requirement against the District in any ensuing fiscal year beyond the current fiscal year.

COVENANTS: A debt service reserve fund will not be required. The Loan and Lease Agreement will contain such covenants and representations as are customary in an annual appropriation Lease purchase financing.

LEGAL OPINION: Bank will require District's bond counsel to deliver a legal opinion as to (i) validity and enforceability of the Certificate and the Lease Agreement under state statutes, and (ii) exemption of interest on the Certificate from Federal income tax and State of Colorado income taxes. Bond counsel approving opinion must be addressed to Bank or permit reliance by Bank.

FINANCIAL REPORTING: The District will be required to provide Bank with audited annual financial statements, prepared by an independent Certified Public Accountant, within 270 days of the close of its fiscal year. Additionally, the District will provide Bank with a copy of its annual budget, as adopted or amended, within 30 days of adoption or amendment. Other reporting, such as Bank may require from time to time, could include copies of any long-term capital improvement plans.

DOCUMENTATION: Documentation shall be prepared by District's Bond Counsel, which firm represents the District at District's expense. This Term Sheet is subject to approval of the documentation by the Bank and its independent Bank counsel, in the Bank's reasonable discretion, including but not limited to a Resolution of the Board of Directors of the District, a Certificate, an Indenture, a Site Lease Agreement and a Lease Purchase Agreement and other instruments, documents and certificates that are usual and customary for a Direct Purchase of a Lease Purchase Financing Agreement. The Bank shall receive a Leasehold Insurance Policy or appropriate endorsements for

	the Leased Property.
BANK COUNSEL FEES:	Independent Bank counsel fees and costs not expected to exceed $10,000 to be paid by the District as a cost of issuance. Bank intends to retain Sally Tasker with Butler Snow, LLP
EXPIRATION:	This Term Sheet must be accepted on June 28th, 2022 by 8pm MST with closing and funding to occur on or before August 1, 2022. If acceptance or funding has not occurred by the respective dates, the Bank may, at its option and in its sole discretion, terminate the Term Sheet and/or the Interest Rate may be adjusted.
MUNICIPAL ADVISOR DISCLAIMER:	The District acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Bank and its affiliates, (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or a fiduciary of the District, (iii) the Bank and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Bank and its affiliates have financial and other interests that differ from those of the District, and (vi) the District has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.
WEBSITE DISCLOSURE:	As a best practice to maintain transparency, final transaction documentation may be posted by the District on a national public market repository provided that certain information is redacted by the District as directed by the Bank. Items that should be redacted include pricing, signatures/names, account numbers, wire transfer and payment instructions and any other data that could be construed as sensitive information.
MISCELLANEOUS:	Funding will occur upon receipt of all documentation required by Bank, in form and substance acceptable to Bank and its separate counsel.

MATERIAL CHANGE: Any change (whether material or not) in the aggregate amount to be financed or a material change in the financial condition or prospects of the District may constitute a re-pricing event and Bank may, at its option and in its sole discretion, terminate this Term Sheet and/or the Interest Rate may be adjusted.

We appreciate your interest in us and look forward to your favorable response. Should you have any questions regarding this Term Sheet, please contact me at (303) 641-9359 or via email at jessica.m.loscalzo@chase.com

Sincerely,

JPMORGAN CHASE BANK, NA

By: Jessica Loscalzo

Jessica Loscalzo
Vice President
2696 South Colorado Blvd, Floor 1
Denver CO 80222-5945

cc Sally Tasker
Butler Snow LLP
sally.tasker@butlersnow.com

ACCEPTED BY: (for the) Upper San Juan Health Service District

Option: ______________________________

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

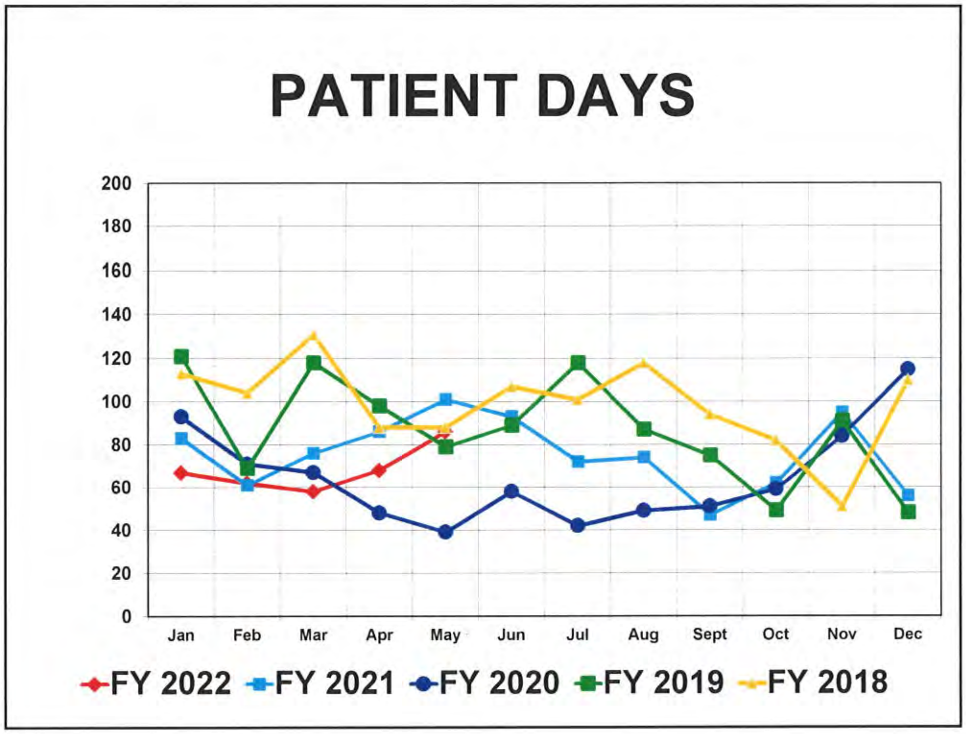
IRS Circular 230 Disclosure: Bank and its affiliates (collectively, “Chase”) do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with Chase of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

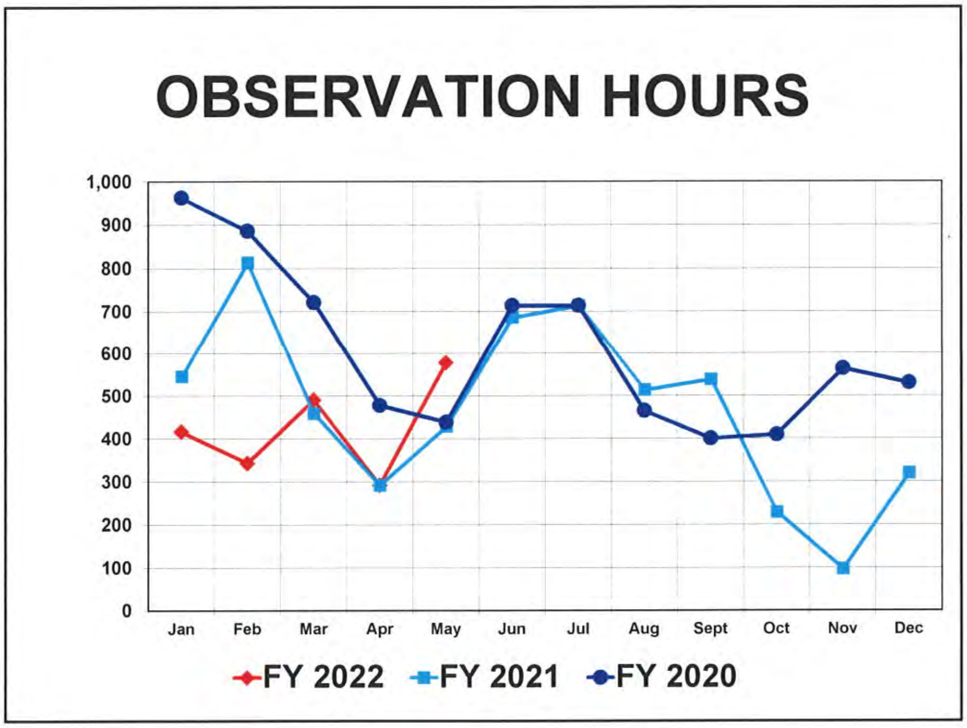
PAGOSA SPRINGS
Medical Center
THE CARE YOU DESERVE, IN THE MOUNTAINS YOU LOVE

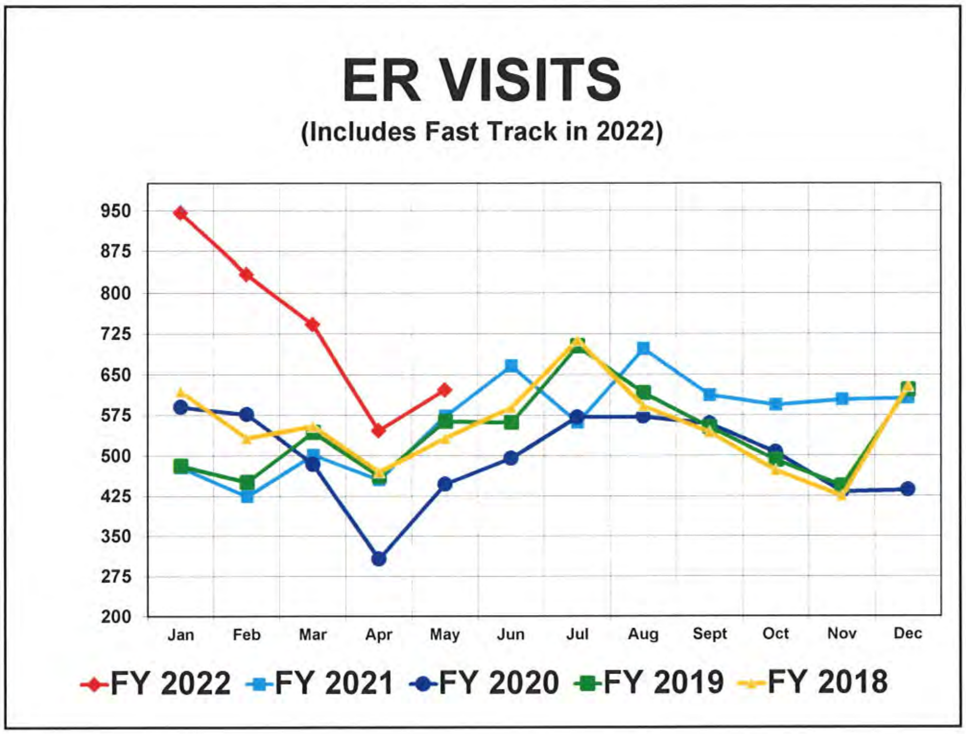
FINANCIAL PRESENTATION
YTD MAY 2022

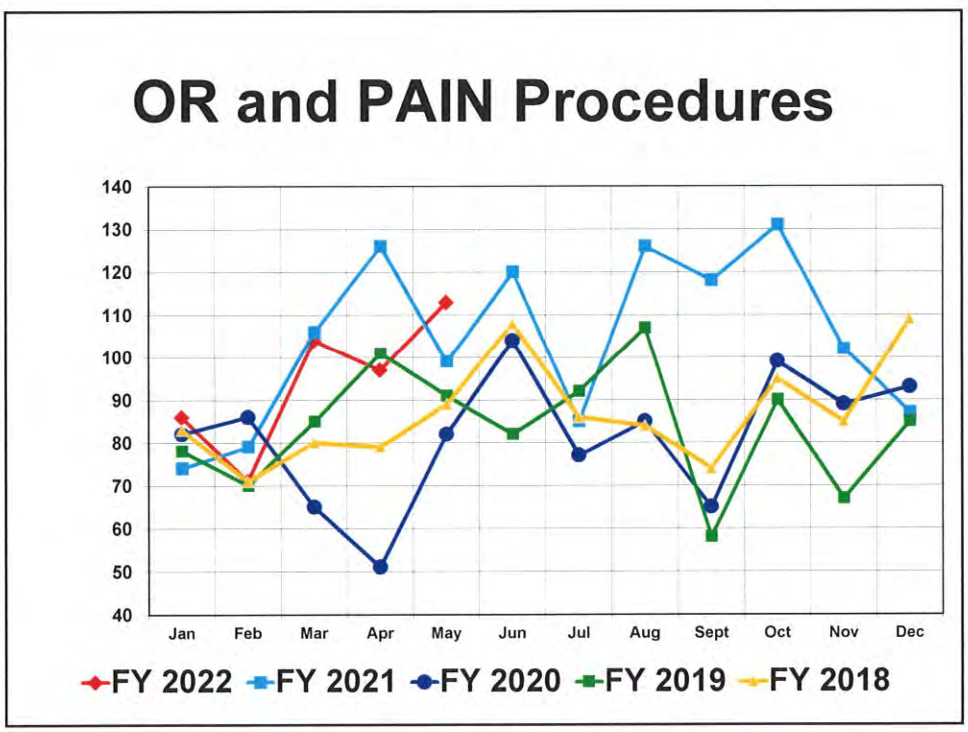
Glossary of Terms

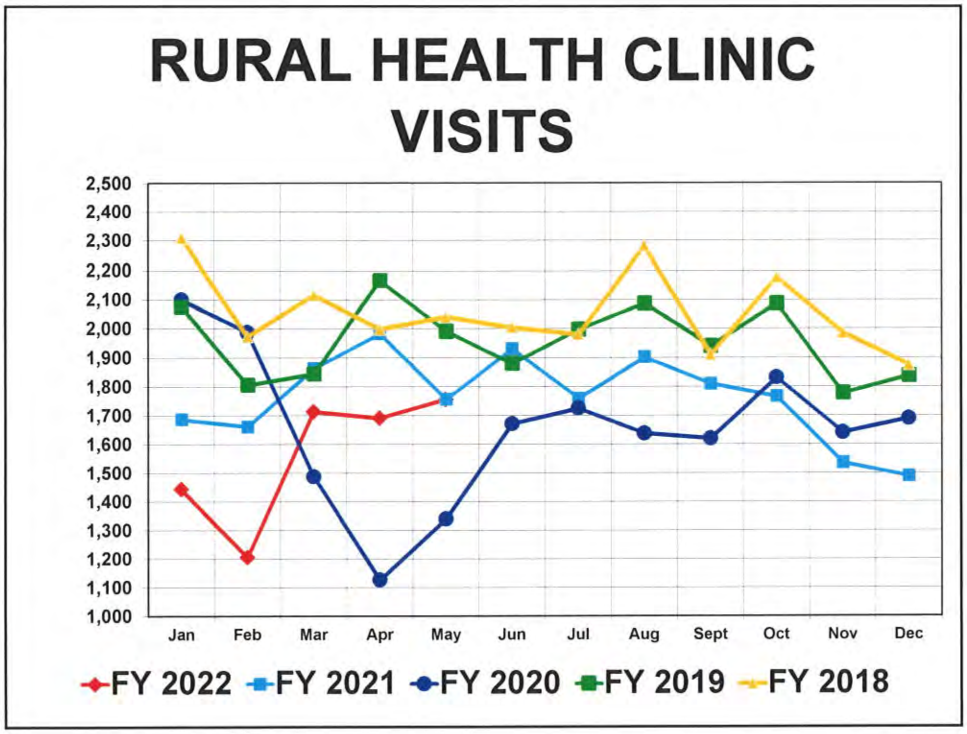
- Gross revenue is the total amount of charges.
- Net revenue = charges less contractuals, bad debt and charity care and then add back the provider tax income.
- Contractuals are discounts to gross revenue we contractually accept from commercial patients or are required to accept by governmental payers.
- Bad Debt is the amount that is written off due to the inability to collect from patients.
- Net Income = Net Revenue – Expenses + tax and other income.
- Gross Days in accounts receivable = Three months average gross revenue divided into the total A/R. (National benchmark is 60 days.)
- Days Cash on hand = Total Expenses YTD (less depr and amortization) divided into the total cash (less bond reserve, Medicare advance payments and & unapplied stimulus).

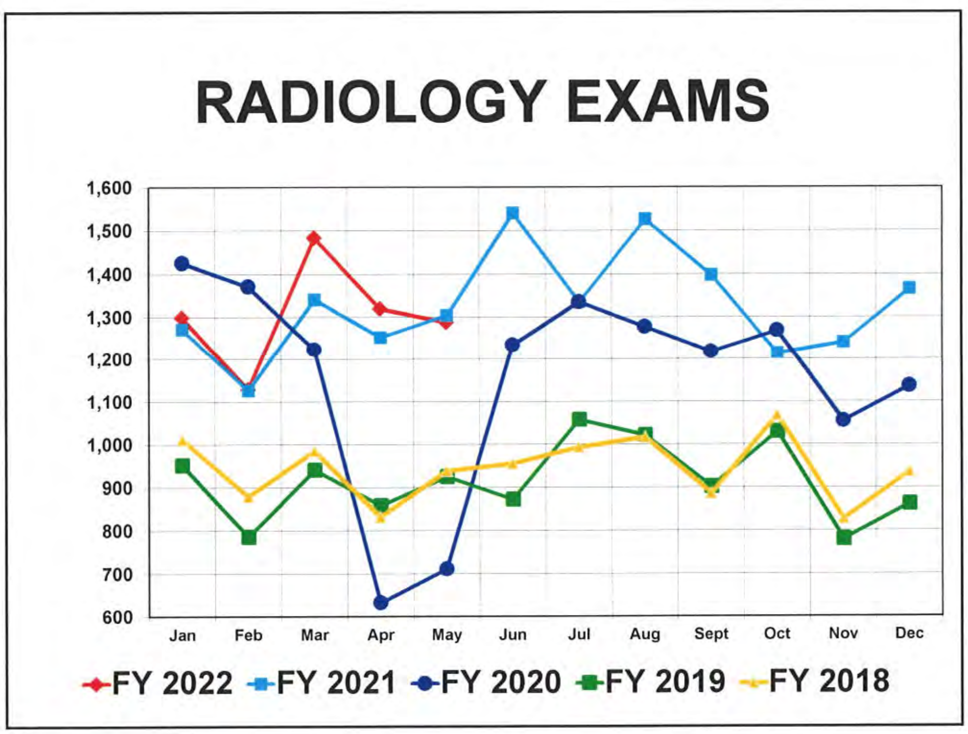

PATIENT DAYS
200
180
160
140
120
100
80
60
40
20
0
Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec
FY 2022 FY 2021 FY 2020 FY 2019 FY 2018


OBSERVATION HOURS
1,000
900
800
700
600
500
400
300
200
100
0
Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec
FY 2022 FY 2021 FY 2020


ER VISITS
(Includes Fast Track in 2022)
950
875
800
725
650
575
500
425
350
275
200
Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec
FY 2022 FY 2021 FY 2020 FY 2019 FY 2018


OR and PAIN Procedures
140
130
120
110
100
90
80
70
60
50
40
Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec
FY 2022 FY 2021 FY 2020 FY 2019 FY 2018

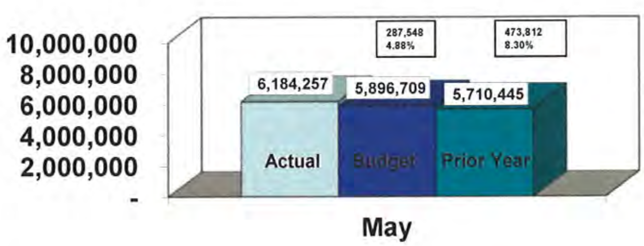

RURAL HEALTH CLINIC VISITS
2,500
2,400
2,300
2,200
2,100
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec
FY 2022 FY 2021 FY 2020 FY 2019 FY 2018

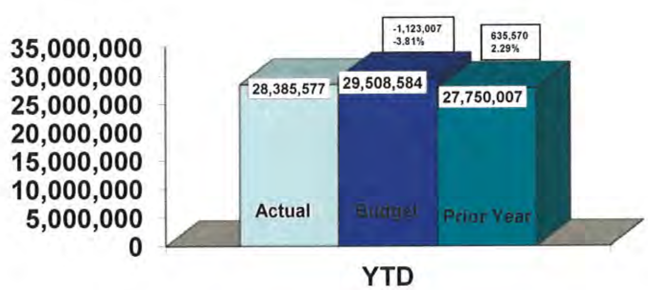

RADIOLOGY EXAMS
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec
FY 2022 FY 2021 FY 2020 FY 2019 FY 2018

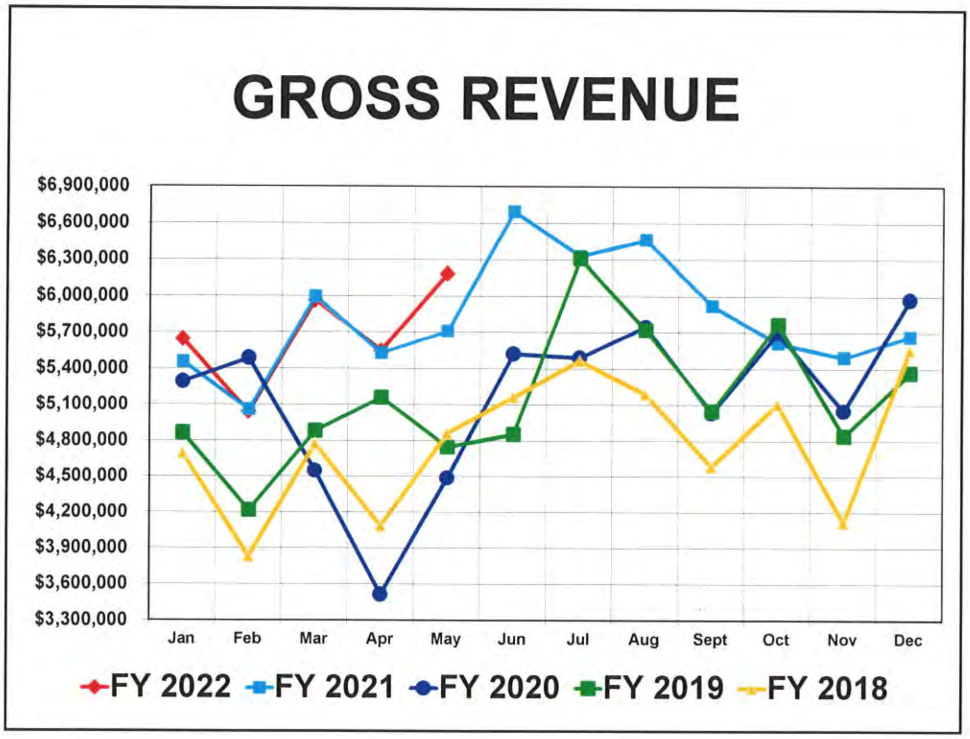
Summary of Financials

	April	
Gross Revenue	$ 5,548,397	
Net Revenue	$ 2,925,069	
Expenses	$ 3,414,708	
Grants, 340B and Tax Revenue	$ 319,811	
Grants and 340B and Stimulus		$ 156,805
Tax Revenue		$ 163,006
Net Income	$ -169,828	

GROSS REVENUE






GROSS REVENUE
$6,900,000
$6,600,000
$6,300,000
$6,000,000
$5,700,000
$5,400,000
$5,100,000
$4,800,000
$4,500,000
$4,200,000
$3,900,000
$3,600,000
$3,300,000
Jan
Feb
Mar
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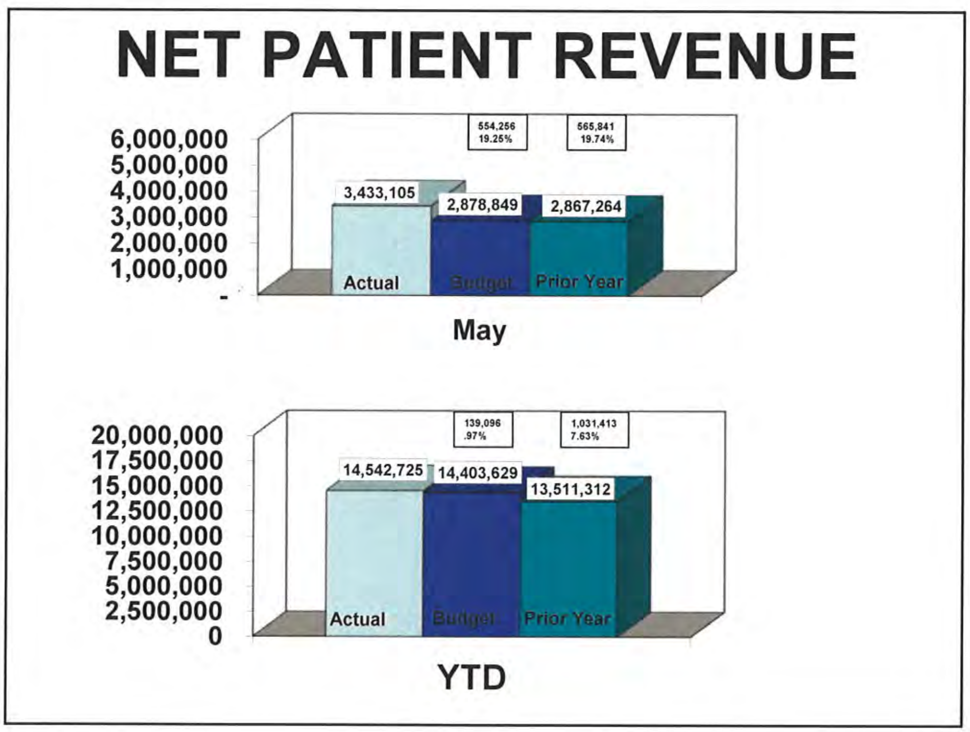
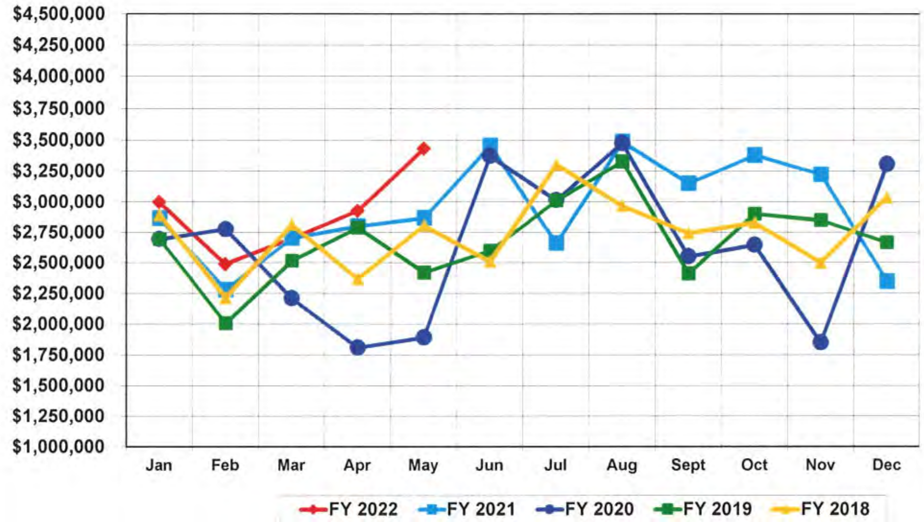
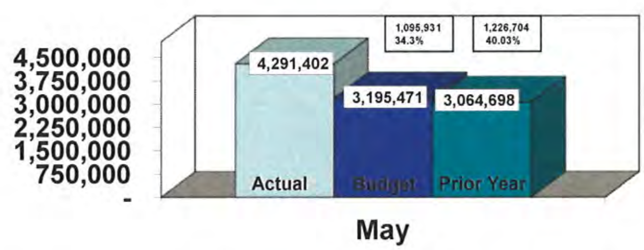
Oct
Nov
Dec
FY 2022
FY 2021
FY 2020
FY 2019
FY 2018

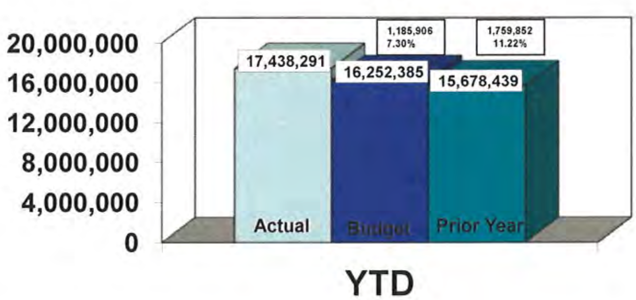

NET PATIENT REVENUE
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
554,256
19.25%
565,841
19.74%
3,433,105
2,878,849
2,867,264
Actual
Budget
Prior Year
May
20,000,000
17,500,000
15,000,000
12,500,000
10,000,000
7,500,000
5,000,000
2,500,000
0
139,096
.97%
1,031,413
7.63%
14,542,725
14,403,629
13,511,312
Actual
Budget
Prior Year
YTD

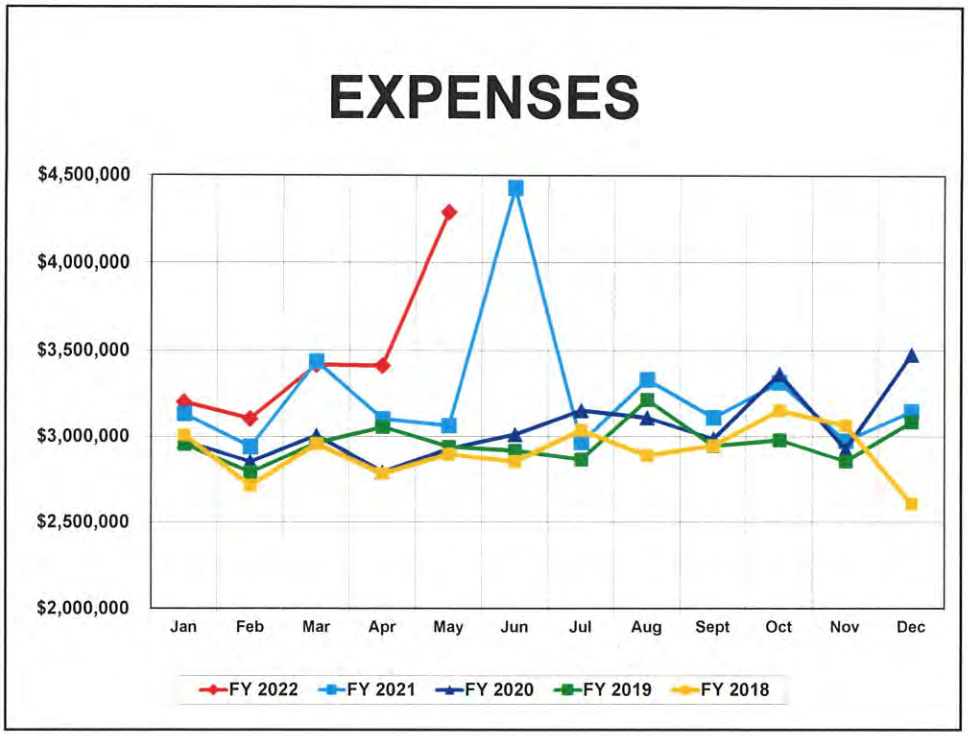
NET PATIENT REVENUE

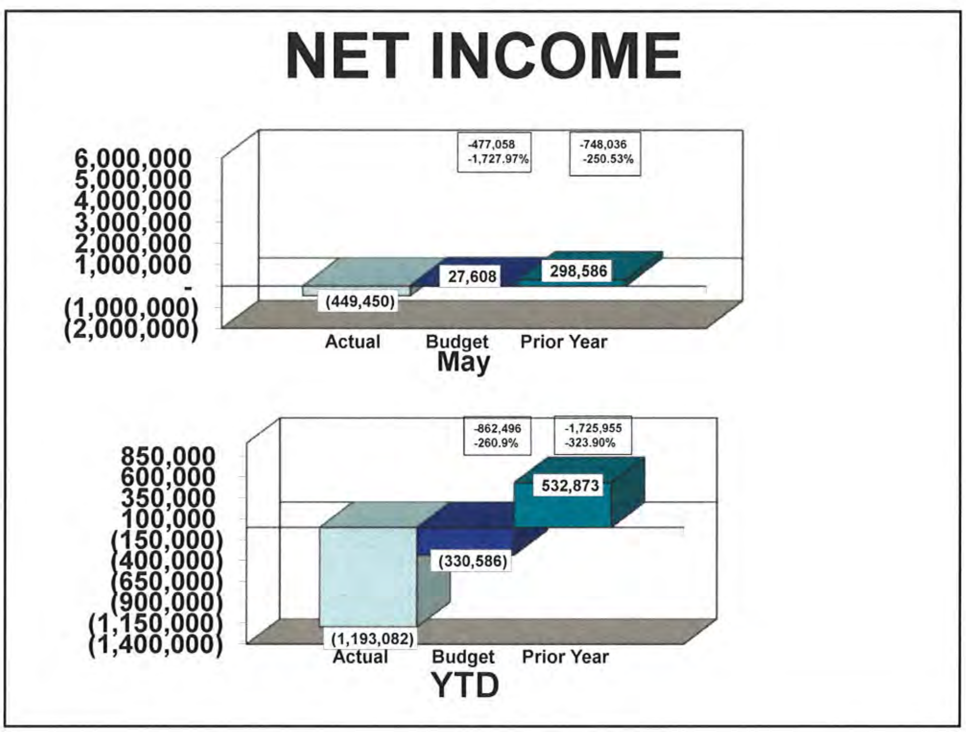


EXPENSES





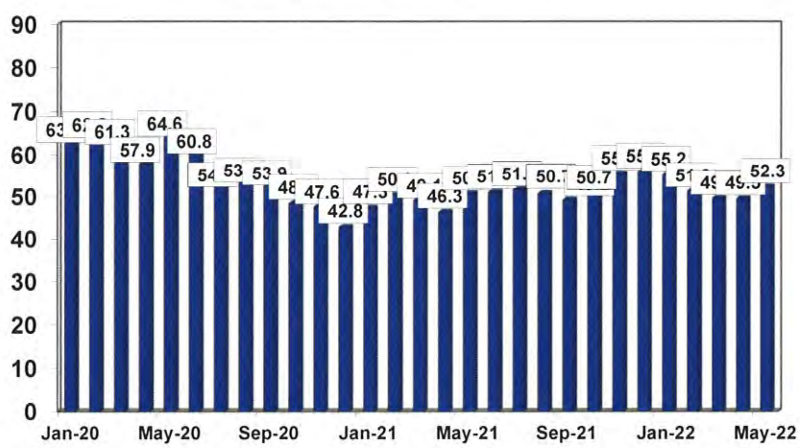

EXPENSES
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept
Oct
Nov
Dec
FY 2022
FY 2021
FY 2020
FY 2019
FY 2018


NET INCOME
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
(1,000,000)
(2,000,000)
-477,058
-1,727.97%
-748,036
-250.53%
(449,450)
27,608
298,586
Actual
Budget
Prior Year
May
850,000
600,000
350,000
100,000
(150,000)
(400,000)
(650,000)
(900,000)
(1,150,000)
(1,400,000)
-862,496
-260.9%
-1,725,955
-323.90%
532,873
(330,586)
(1,193,082)
Actual
Budget
Prior Year
YTD

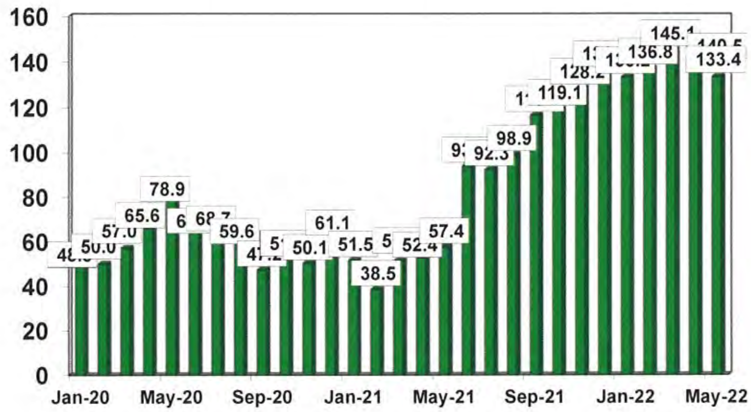
Summary of Financials

	May	
Gross Revenue	$ 6,184,257	
Net Revenue	$ 3,433,105	
Expenses	$ 4,291,402	
Grants, 340B and Tax Revenue	$ 408,847	
Grants and 340B and Stimulus		$ 64,660
Tax Revenue		$ 344,187
Net Income	$ -449,450	

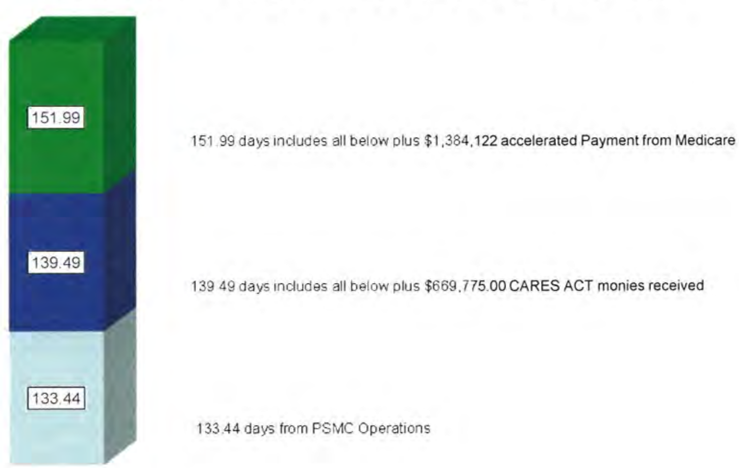
GROSS DAYS IN ACCOUNTS RECEIVABLE



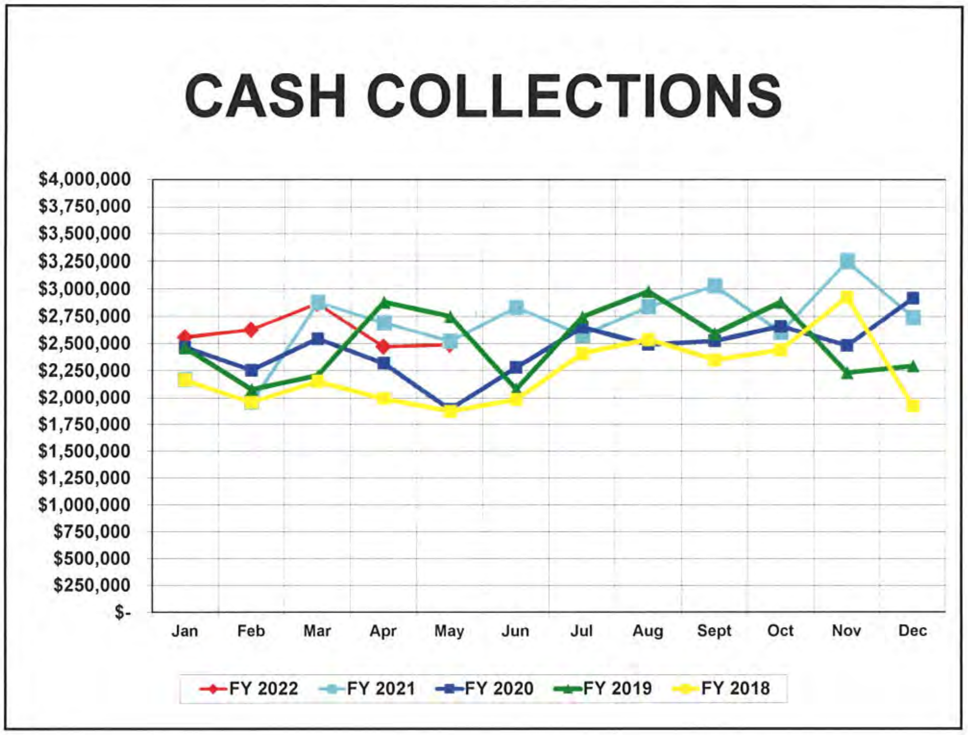
DAYS CASH ON HAND



DAYS CASH ON HAND



As of May 31, 2022, PSMC is reporting 133.44 days on hand (This excludes the payables of Unused stimulus funds and the remaining accelerated payments from Medicare.)


CASH COLLECTIONS
$4,000,000
$3,750,000
$3,500,000
$3,250,000
$3,000,000
$2,750,000
$2,500,000
$2,250,000
$2,000,000
$1,750,000
$1,500,000
$1,250,000
$1,000,000
$750,000
$500,000
$250,000
$-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept
Oct
Nov
Dec
FY 2022
FY 2021
FY 2020
FY 2019
FY 2018

Pagosa Springs Medical Center

Income Statement --- May 31, 2022

		Current Month				Year-to-Date			
		2022	Budget	Difference	Variance	2022	Budget	Difference	Variance
	Revenue								
7	Total In-patient Revenue	440,128	476,698	(36,570)	-8%	2,227,372	2,426,053	(198,681)	-8%
17	Total Out-patient Revenue	5,223,734	4,943,361	280,373	6%	23,707,480	24,697,545	(990,065)	-4%
18	Professional Fees	520,395	476,650	43,745	9%	2,450,725	2,384,986	65,739	3%
19	**Total Patient Revenue**	**6,184,257**	**5,896,709**	**287,548**	**5%**	**28,385,577**	**29,508,584**	**(1,123,007)**	**-4%**
20	Revenue Deductions & Bad Debt								
21	Contractual Allowances	3,140,358	3,070,989	69,369	2%	14,045,217	15,370,875	(1,325,658)	-9%
22	Charity	85,190	-	85,190		216,685	-	216,685	
23	Bad Debt	(234,231)	204,500	(438,731)	-215%	783,359	1,023,559	(240,200)	-23%
24	Provider Fee & Other	(240,165)	(257,629)	17,464	-7%	(1,202,409)	(1,289,479)	87,070	-7%
25	Total Revenue Deductions & Bad Debt	2,751,152	3,017,860	(266,708)	-9%	13,842,852	15,104,955	(1,262,103)	-8%
26	**Total Net Patient Revenue**	**3,433,105**	**2,878,849**	**554,256**	**19%**	**14,542,725**	**14,403,629**	**139,096**	**1%**
27	Grants	-	4,782	(4,782)	-100%	77,288	23,133	54,155	234%
28	HHS Stimulus Other Revenue	-	-	-		-	-	-	
29	COVID PPP Loan Forgiveness	-	-	-	0%	-	-	-	0%
30	Other Operating Income - Misc	64,660	150,207	(85,547)	-57%	545,883	727,615	(181,732)	-25%
31	**Total Net Revenues**	**3,497,765**	**3,033,838**	**463,927**	**15%**	**15,165,896**	**15,154,377**	**11,519**	**0%**
32	**Operating Expenses**								
33	Salary & Wages	2,003,650	1,663,573	340,077	20%	8,466,089	8,378,663	87,426	1%
34	Benefits	298,674	283,835	14,839	5%	1,369,201	1,424,328	(55,127)	-4%
35	Professional Fees/Contract Labor	507,413	37,092	470,321	1268%	1,407,844	186,861	1,220,983	653%
36	Purchased Services	194,808	210,726	(15,918)	-8%	924,714	1,090,545	(165,831)	-15%
37	Supplies	768,042	508,046	259,996	51%	2,749,081	2,614,808	134,273	5%
38	Rent & Leases	11,340	14,525	(3,185)	-22%	87,584	73,205	14,379	20%
39	Repairs & Maintenance	48,453	40,474	7,979	20%	254,145	218,125	36,020	17%
40	Utilities	39,553	27,098	12,455	46%	233,951	199,974	33,977	17%
41	Insurance	35,174	29,250	5,924	20%	183,676	146,232	37,444	26%
42	Depreciation & Amortization	136,427	173,209	(36,782)	-21%	724,933	836,842	(111,909)	-13%
43	Interest	74,980	68,003	6,977	10%	360,250	342,815	17,435	5%
44	Other	172,888	139,640	33,248	24%	676,823	739,987	(63,164)	-9%
45	**Total Operating Expenses**	**4,291,402**	**3,195,471**	**1,095,931**	**34%**	**17,438,291**	**16,252,385**	**1,185,906**	**7%**
46	**Operating Revenue Less Expenses**	**(793,637)**	**(161,633)**	**(632,004)**	**391%**	**(2,272,395)**	**(1,098,008)**	**(1,174,387)**	**107%**
47	**Non-Operating Income**								
48	Tax Revenue	344,187	166,081	178,106	107%	1,079,313	673,502	405,811	60%
49	Donations	-	23,160	(23,160)	-100%	-	93,920	(93,920)	-100%
50	**Total Non-Operating Income**	344,187	189,241	154,946	82%	1,079,313	767,422	311,891	41%
51	**Total Revenue Less Total Expenses**	**$ (449,450)**	**$ 27,608**	**$ (477,058)**	**-1728%**	**$ (1,193,082)**	**$ (330,586)**	**$ (862,496)**	**261%**

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Pagosa Springs Medical Center

Income Statement Comparison - - - May 31, 2022

		Current Month				Year-to-Date			
		2022	2021	Difference	Variance	2022	2021	Difference	Variance
	Revenue								
2									
7	Total In-patient Revenue	440,128	568,930	(128,802)	-23%	2,227,372	2,337,587	(110,215)	-5%
17	Total Out-patient Revenue	5,223,734	4,694,687	529,047	11%	23,707,480	23,177,003	530,477	2%
18	Professional Fees	520,395	446,828	73,567	16%	2,450,725	2,235,417	215,308	10%
19	**Total Patient Revenue**	**6,184,257**	**5,710,445**	**473,812**	**8%**	**28,385,577**	**27,750,007**	**635,570**	**2%**
20	Revenue Deductions & Bad Debt								
21	Contractual Allowances	3,140,358	2,538,656	601,702	24%	14,045,217	13,932,933	112,284	1%
22	Charity	85,190	57,185	28,005	49%	216,685	397,116	(180,431)	-45%
23	Bad Debt	(234,231)	457,347	(691,578)	-151%	783,359	958,749	(175,390)	-18%
24	Provider Fee & Other	(240,165)	(210,007)	(30,158)	14%	(1,202,409)	(1,050,103)	(152,306)	15%
25	Total Revenue Deductions & Bad Debt	2,751,152	2,843,181	(92,029)	-3%	13,842,852	14,238,695	(395,843)	-3%
26	**Total Net Patient Revenue**	**3,433,105**	**2,867,264**	**565,841**	**20%**	**14,542,725**	**13,511,312**	**1,031,413**	**8%**
27	Grants	-	6,300	(6,300)	-100%	77,288	510,350	(433,062)	-85%
28	HHS Stimulus Other Revenue	-	-	-		-	464,244	(464,244)	-100%
29	COVID PPP Loan Forgiveness	-	-	-		-	-	-	
30	Other Operating Income - Misc	64,660	146,162	(81,502)	-56%	545,883	751,272	(205,389)	-27%
31	**Total Net Revenues**	**3,497,765**	**3,019,726**	**478,039**	**16%**	**15,165,896**	**15,237,178**	**(71,282)**	0%
32	**Operating Expenses**								
33	Salary & Wages	2,003,650	1,479,489	524,161	35%	8,466,089	8,133,865	332,224	4%
34	Benefits	298,674	291,393	7,281	2%	1,369,201	1,441,244	(72,043)	-5%
35	Professional Fees/Contract Labor	507,413	29,029	478,384	1648%	1,407,844	146,667	1,261,177	860%
36	Purchased Services	194,808	139,549	55,259	40%	924,714	803,653	121,061	15%
37	Supplies	768,042	400,527	367,515	92%	2,749,081	2,289,150	459,931	20%
38	Rent & Leases	11,340	35,663	(24,323)	-68%	87,584	175,762	(88,178)	-50%
39	Repairs & Maintenance	48,453	36,876	11,577	31%	254,145	206,591	47,554	23%
40	Utilities	39,553	24,417	15,136	62%	233,951	181,269	52,682	29%
41	Insurance	35,174	28,676	6,498	23%	183,676	146,084	37,592	26%
42	Depreciation & Amortization	136,427	354,494	(218,067)	-62%	724,933	952,388	(227,455)	-24%
43	Interest	74,980	88,969	(13,989)	-16%	360,250	432,595	(72,345)	-17%
44	Other	172,888	155,616	17,272	11%	676,823	769,171	(92,348)	-12%
45	**Total Operating Expenses**	**4,291,402**	**3,064,698**	**1,226,704**	**40%**	**17,438,291**	**15,678,439**	**1,759,852**	11%
46	**Operating Revenue Less Expenses**	**(793,637)**	**(44,972)**	**(748,665)**	**1665%**	**(2,272,395)**	**(441,261)**	**(1,831,134)**	415%
47	**Non-Operating Income**								
48	Tax Revenue	344,187	343,558	629	0%	1,079,313	974,134	105,179	11%
49	Donations	-	-	-		-	-	-	
50	**Total Non-Operating Income**	344,187	343,558	629	0%	1,079,313	974,134	105,179	11%
51	**Total Revenue Less Total Expenses**	**$ (449,450)**	**$ 298,586**	**$ (748,036)**	**-251%**	**$ (1,193,082)**	**$ 532,873**	(1,725,955)	305%

Pagosa Springs Medical Center

Balance Sheet - - - May 31, 2022

Assets	Current Month	Prior Month
Current Assets		
Cash		
Operating	$ 12,838,238	$ 13,681,905
Debt Svc. Res. 2016 Bonds	878,731	878,731
Bond Funds - 2016 Bonds	584,388	10
Bond Funds - 2021 / 2006	1,346,718	1,017,078
Escrow - UMB	-	-
COVID PPP	-	-
Relief Fund Cash Restricted	669,775	669,775
Medicare Accelerated Pmt	1,384,122	1,690,468
Total Cash	17,701,972	17,937,967
Accounts Receivable		
Patient Revenue - Net	4,287,056	3,562,280
Other Receivables	652,526	1,028,604
Total Accounts Receivable	4,939,582	4,590,884
Inventory	1,781,023	1,786,003
Total Current Assets	24,422,577	24,314,854
Fixed Assets		
Property Plant & Equip (Net)	7,571,599	7,631,637
Electronic Health Record (Net)	-	-
Clinic Expansion	13,377,405	13,377,405
Work In Progress	321,855	321,855
Land	101,000	101,000
Total Fixed Assets	21,371,859	21,431,897
Other Assets		
Prepaids & Other Assets	489,563	366,787
Total Other Assets	489,563	366,787
Total Assets	**$ 46,283,999**	**$ 46,113,538**

Liabilities	Current Month	Prior Month
Current Liabilities		
Accts Payable - System	$ 1,381,351	$ 585,161
Accrued Expenses	1,114,671	1,101,332
Cost Report Settlement Res	(213,252)	(105,916)
Wages & Benefits Payable	2,417,131	1,834,356
Deferred Revenue	368,091	712,277
COVID PPP Short Term Loan	-	-
Relief Fund Liability	669,775	669,775
Medicare Accelerated Pmt Liab	1,384,122	1,690,468
Current Portion of LT Debt-Lease	-	9,016
Current Portion of LT Debt-2006	-	-
Current Portion of LT Debt-2016	340,000	340,000
Total Current Liabilities	7,461,889	6,836,469
Long-Term Liabilities		
Leases Payable	-	-
Equipment Lease (Wells Fargo)	-	-
Bond Premium (Net) - 2006 Def Outflows	200,189	201,302
Bond Premium (Net) - 2016	121,922	122,347
Bond Premium (Net) - 2021	742,611	746,583
Bonds Payable - 2021	7,885,000	7,885,000
Bonds Payable - 2006	-	-
Bonds Payable - 2016	9,250,000	9,250,000
Total Long-Term Liabilities	18,199,722	18,205,232
Net Assets		
Un-Restricted	21,815,470	21,815,469
Current Year Net Income/Loss	(1,193,082)	(743,632)
Total Un-Restricted	20,622,388	21,071,837
Restricted		
Total Net Assets	20,622,388	21,071,837
Total Liabilities & Net Assets	**$ 46,283,999**	**$ 46,113,538**

Pagosa Springs Medical Center

Monthly Trends

	Activity	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
		31	30	31	31	30	31	30	31	31	28	31	30	31
2	In-Patient Admissions	41	33	35	32	17	24	32	27	31	25	22	30	32
3	In-Patient Days	101	93	72	74	47	62	95	56	67	62	58	68	86
4	Avg Stay Days (In-patients)	2.5	2.8	2.1	2.3	2.8	2.6	3.0	2.1	2.2	2.5	2.6	2.3	2.7
5	Swing Bed Admissions	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Swing Bed Days	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Avg Length of Stay (Swing)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Average Daily Census	3.3	3.1	2.3	2.4	1.6	2.0	3.2	1.8	2.2	2.2	1.9	2.3	2.8
	Statistics													
9	E/R visits	573	666	561	697	612	594	604	607	946	834	742	546	622
10	Observ Hours	428	685	713	513	538	228	97	319	416	343	490	292	578
11	Lab Tests	6,045	6,032	5,687	5,586	5,409	5,918	6,005	5,498	5,660	4,897	5,200	5,353	5,623
12	Radiology/CT/MRI Exams	1,304	1,539	1,335	1,525	1,397	1,214	1,240	1,365	1,299	1,195	1,483	1,320	1,288
14	OR Cases	99	120	85	126	118	131	102	87	86	71	104	78	113
15	Clinic Visits	1,756	1,931	1,759	1,902	1,810	1,766	1,536	1,490	1,444	1,206	1,714	1,692	1,756
16	Spec. Clinic Visits	101	113	204	89	85	75	46	37	33	32	44	27	29
17	Oncology Clinic Visits	116	127	90	135	119	114	110	103	106	107	116	105	127
18	Oncology/Infusion Patients	158	159	151	195	160	156	193	174	193	198	166	139	191
19	Infusion Patients	75	96	122	109	92	93	137	101	109	108	116	66	93
20	EMS Transports	112	137	113	126	108	93	106	124	101	100	112	87	117
21	Total Stats	10,767	11,605	10,820	11,003	10,448	10,382	10,176	9,905	10,393	9,091	10,287	9,724	10,537

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Pagosa Springs Medical Center --- Statistical Review

Statistical Review

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#	2022	May Current Month Actual	May Current Month Budget	May Variance	May Y-T-D Actual	May Y-T-D Budget	May Y-T-D Variance	May Prior Y-T-D: Y-T-D Actual	May Prior Y-T-D: Prior Y-T-D Actual	May Prior Y-T-D: Difference	May Prior Y-T-D: Variance
1	**In-Patient**										
2	Admissions:										
3	Acute	32	27	5	140	135	5	140	157	(17)	-11%
4	Swing Bed	-	-	-	-	-	-	-	-	-	
5	Total	32	27	5	140	135	5	140	157	(17)	-11%
7	Patient Days:										
8	Acute	86	67	19	341	334	7	341	407	(66)	-16%
9	Swing Bed	-	-	-	-	-	-	-	-	-	
10	Total	86	67	19	341	334	7	341	407	(66)	-16%
12	Average Daily Census:										
13	# Of Days	31	31		151	151		151	151		
14	Acute	2.8	2.2	0.6	2.3	2.2	0.0	2.3	2.7	(0.4)	-16%
15	Swing Bed	-	-	-	-	-	-	-	-	-	
16	Total	2.8	2.2	0.6	2.3	2.2	0.0	2.3	2.7	(0.4)	-16%
18	Length of Stay:										
19	Acute	2.7	2.5	0.2	2.4	2.5	(0.0)	2.4	2.6	(0.2)	-6%
20	Swing Bed	-	-	-	-	-	-	-	-	-	0%
21	Total	2.7	2.5	0.2	2.4	2.5	(0.0)	2.4	2.6	(0.2)	-6%
33	**Out-Patient**										
34	Out-Patient Visits										
35	E/R Visits	622	527	95	3,690	2,632	1,058	3,690	2,431	1,259	52%
36	Observ admissions	27	24	3	103	121	(18)	103	131	(28)	-21%
37	Lab Tests	5,623	5,359	264	26,733	26,773	(40)	26,733	28,093	(1,360)	-5%
38	Radiology/CT/MRI Exams/M	1,288	1,242	46	6,585	6,208	377	6,585	6,294	291	5%
39	OR Cases	113	99	14	452	497	(45)	452	484	(32)	-7%
40	Clinic Visits	1,756	1,661	95	7,812	8,296	(484)	7,812	8,949	(1,137)	-13%
41	Spec. Clinic Visits	29	90	(61)	165	450	(285)	165	522	(357)	-68%
42	Oncology Clinic Visits	127	107	20	561	537	24	561	557	4	1%
43	Oncology/Infusion Patients	191	148	43	887	741	146	887	684	203	30%
	Infusion Patients	93	81	12	492	407	85	492	276	216	78%
45	EMS Transports	117	102	15	517	511	6	517	507	10	2%
44	Total	9,986	9,440	546	47,997	47,173	824	47,997	48,928	(931)	-2%

Pagosa Springs Medical Center

Cerner/Healthland Accounts Receivable for Hospital by Payor and Days Outstanding -- As of May 31, 2022

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181+ Days	Total	Percent of Total	Accts sent to Collections
2 **Medicare**	$ 2,661,298	$ 300,250	$ 146,820	$ 109,780	$ 110,368	$ 36,556	$ 194,032	**$ 3,559,104**	**35%**	
3 **Medicaid**	597,948	154,748	42,481	25,988	76,728	30,086	187,570	**1,115,549**	**11%**	
4 **Third Party**	1,516,670	488,749	266,497	216,542	160,024	128,551	464,982	**3,242,015**	**32%**	
5 **Self-Pay**	200,925	285,920	307,537	217,139	207,217	125,926	797,393	**2,142,057**	**21%**	
Current Month Total	**$ 4,976,841**	**$ 1,229,667**	**$ 763,335**	**$ 569,449**	**$ 554,337**	**$ 321,119**	**$ 1,643,977**	**$ 10,058,725**	**100%**	**150,992**
Pct of Total	49%	12%	8%	6%	6%	3%	16%	100%		
Apr-22	$ 4,411,765	$ 1,085,976	$ 693,620	$ 609,943	$ 440,794	$ 289,902	$ 1,669,402	$ 9,201,402		215,897
Pct of Total	48%	12%	8%	7%	5%	3%	18%	100%		
Mar-22	$ 4,206,381	$ 1,389,690	$ 673,681	$ 575,452	$ 413,271	$ 309,780	$ 1,752,689	$ 9,320,944		199,177
Pct of Total	45%	15%	7%	6%	4%	3%	19%	100%		
Feb-22	$ 4,206,381	$ 1,389,690	$ 673,681	$ 575,452	$ 413,271	$ 309,780	$ 1,752,689	$ 9,320,944		199,177
Pct of Total	45%	15%	7%	6%	4%	3%	19%	100%		
Jan-22	$ 4,815,885	$ 1,218,564	$ 968,019	$ 573,545	$ 504,719	$ 332,446	$ 1,663,719	$ 10,076,897		184,318
Pct of Total	48%	12%	10%	6%	5%	3%	17%	100%		
Dec-21	$ 4,411,483	$ 1,771,146	$ 897,483	$ 629,416	$ 471,528	$ 299,814	$ 1,716,882	$ 10,197,752		246,249
Pct of Total	43%	17%	9%	6%	5%	3%	17%	100%		
Nov-21	$ 5,254,766	$ 1,288,663	$ 765,276	$ 596,925	$ 429,612	$ 449,363	$ 1,582,207	$ 10,366,811		223,165
Pct of Total	51%	12%	7%	6%	4%	4%	15%	100%		
Oct-21	$ 4,591,197	$ 1,412,195	$ 784,524	$ 573,095	$ 661,916	$ 330,409	$ 1,562,788	$ 9,916,124		372,288
Pct of Total	46%	14%	8%	6%	7%	3%	16%	100%		
Sep-21	$ 4,623,878	$ 1,367,954	$ 793,192	$ 861,326	$ 484,324	$ 263,617	$ 1,610,326	$ 10,004,617		251,846
Pct of Total	46%	14%	8%	9%	5%	3%	16%	100%		
Aug-21	$ 5,070,970	$ 1,423,538	$ 1,289,523	$ 637,852	$ 423,338	$ 370,971	$ 1,518,317	$ 10,734,509		181,959
Pct of Total	47%	13%	12%	6%	4%	3%	14%	100%		
Jul-21	$ 4,918,121	$ 1,859,528	$ 864,925	$ 524,846	$ 546,331	$ 340,021	$ 1,455,387	$ 10,509,159		125,498
Pct of Total	47%	18%	8%	5%	5%	3%	14%	100%		
Jun-21	$ 4,450,225	$ 991,357	$ 492,319	$ 470,912	$ 586,430	$ 386,858	$ 1,658,314	$ 9,036,415		248,707
Pct of Total	49%	11%	5%	5%	6%	4%	18%	100%		
May-21	$ 4,564,596	$ 1,223,151	$ 900,499	$ 559,379	$ 516,823	$ 338,558	$ 1,383,875	$ 9,486,881		95,678
Pct of Total	48%	13%	9%	6%	5%	4%	15%	100%		
Apr-21	$ 4,315,723	$ 1,332,592	$ 712,599	$ 645,005	$ 417,714	$ 166,007	$ 1,174,380	$ 8,764,020		190,242
Pct of Total	49%	15%	8%	7%	5%	2%	13%	100%		

Pagosa Springs Medical Center

Cerner/Healthland Accounts Receivable for Hospital by Payor and Days Outstanding -- As of May 31, 2022

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181+ Days	Total	Percent of Total	Accts sent to Collections
Mar-21	$ 4,536,107	$ 1,283,697	$ 893,010	$ 614,678	$ 287,740	$ 205,954	$ 1,187,089	$ 9,008,275		141,056
Pct of Total	50%	14%	10%	7%	3%	2%	13%	100%		
Feb-21	$ 4,632,177	$ 1,808,956	$ 796,014	$ 329,120	$ 255,606	$ 194,030	$ 1,194,813	$ 9,210,716		116,794
Pct of Total	50%	20%	9%	4%	3%	2%	13%	100%		
Jan-21	$ 4,667,228	$ 1,324,541	$ 489,574	$ 380,972	$ 303,832	$ 307,163	$ 1,102,666	$ 8,575,976		197,220
Pct of Total	54%	15%	6%	4%	4%	4%	13%	100%		
Dec-20	$ 4,315,448	$ 835,664	$ 542,288	$ 394,340	$ 421,056	$ 304,468	$ 965,830	$ 7,779,094		222,785
Pct of Total	55%	11%	7%	5%	5%	4%	12%	100%		
Nov-20	$ 4,108,089	$ 1,171,013	$ 583,125	$ 541,005	$ 584,542	$ 275,531	$ 985,311	$ 8,248,616		172,213
Pct of Total	50%	14%	7%	7%	7%	3%	12%	100%		
Oct-20	$ 4,351,562	$ 1,054,133	$ 832,882	$ 694,766	$ 372,848	$ 200,118	$ 1,158,212	$ 8,664,521		855,499
Pct of Total	50%	12%	10%	8%	4%	2%	13%	100%		
Sep-20	$ 4,073,962	$ 1,528,744	$ 916,786	$ 468,911	$ 324,972	$ 204,586	$ 2,011,419	$ 9,529,381		12,049
Pct of Total	43%	16%	10%	5%	3%	2%	21%	100%		
12 **Pct Settled (Current)**		72.1%	29.7%	17.9%	9.1%	27.1%	-467.1%			
13 **Pct Settled (Apr from Mar)**		74.2%	50.1%	9.5%	23.4%	29.9%	-438.9%			
14 **Pct Settled (Mar from Feb)**		67.0%	51.5%	14.6%	28.2%	25.0%	-465.8%			
15 **Pct Settled (Feb from Jan)**		71.1%	44.7%	40.6%	27.9%	38.6%	-427.2%			
16 **Pct Settled (Jan from Dec)**		72.4%	45.3%	36.1%	19.8%	29.5%	-454.9%			

Pagosa Springs Medical Center

Pagosa Springs Medical Center --- Net Days in A/R 2022

		31	28	31	30	31	30
		Jan-22	**Feb-22**	**Mar-22**	**Apr-22**	**May-22**	**Jun-21**
2	**Net Accounts Receivable**	$ 4,241,833	$ 3,719,612	$ 3,356,476	$ 3,562,280	$ 4,287,056	$ 4,279,409
3	**Net Patient Revenue**	$ 2,998,220	$ 2,487,566	$ 2,698,764	$ 2,925,069	$ 3,497,765	$ 3,457,110
4	**Net Patient Rev/Day (2 month Avg)**	$ 86,218	$ 92,779	$ 87,949	$ 92,280	$ 105,167	$ 103,865
5	**Net Days in A/R**	**49**	**40**	**38**	**39**	**41**	**41**

		31	31	30	31	30	31
		Jul-21	**Aug-21**	**Sep-21**	**Oct-21**	**Nov-21**	**Dec-21**
7	**Net Accounts Receivable**	$ 4,520,929	$ 4,713,332	$ 4,472,476	$ 4,754,058	$ 5,115,376	$ 4,030,555
8	**Net Patient Revenue**	$ 2,659,431	$ 3,484,951	$ 3,150,551	$ 3,377,543	$ 3,221,526	$ 2,347,320
9	**Net Patient Rev/Day (2 month Avg)**	$ 100,513	$ 99,103	$ 108,718	$ 106,986	$ 108,169	$ 91,552
10	**Net Days in A/R**	**45**	**48**	**41**	**44**	**47**	**44**

Pagosa Springs Medical Center --- Gross Days Target

12	Medicare		33%	21	$ 105,292	$ 729,676
13	Medicaid		7%	35	$ 105,292	$ 257,966
14	Blue Cross		15%	48	$ 105,292	$ 758,105
15	Commercial		26%	65	$ 105,292	$ 1,779,441
16	Self Pay		19%	150	$ 105,292	$ 3,000,832
17		Total:	100%			$ 6,526,021
18						$ 105,292
19				**Gross Days in A/R Target**		**62**

Pagosa Springs Medical Center
Revenue by Financial Class
May 31, 2022

Financial Class	Inpatient MTD	Outpatient MTD	Total MTD	% MTD
Auto/Liability Insurance	-	100,476.50	100,476.50	1.62%
Blue Cross	81,740.70	596,355.39	678,096.09	10.96%
Champus	-	48,595.78	48,595.78	0.79%
Commercial Insurance	48,294.90	579,622.41	627,917.31	10.15%
Medicaid	43,664	896,953.29	940,616.79	15.21%
Medicare	197,090.42	2,002,908.37	2,199,998.79	35.57%
Medicare HMO	141,933	967,968.17	1,109,901.62	17.95%
Self Pay	-	176,661.33	176,661.33	2.86%
Self Pay - Client Billing	-	8,349.90	8,349.90	0.14%
Veterans Administration	10,449.10	216,895.51	227,344.61	3.68%
Workers Compensation	-	66,298.30	66,298.30	1.07%
Total	**523,172.07**	**5,661,084.95**	**6,184,257.02**	**100.00%**

Financial Class	Inpatient YTD	Outpatient YTD	Total YTD	% YTD	12/31/2021 % YTD	12/31/20 % YTD	12/31/19 % YTD	12/31/18 % YTD	12/31/17 % YTD	12/31/16 % YTD
Auto/Liability Insurance	-	252,423.97	252,423.97	0.89%	1.41%	0.91%	1.15%	1.05%	1.24%	1.11%
Blue Cross	176,190.30	2,864,914.96	3,041,105.26	10.71%	11.40%	12.38%	15.40%	15.42%	15.90%	15.83%
Champus	-	227,968.91	227,968.91	0.80%	0.95%	0.82%	0.31%	0.08%	0.07%	0.19%
Commercial Insurance	357,000.48	2,900,009.55	3,257,010.03	11.47%	12.12%	11.72%	11.34%	13.08%	11.79%	13.08%
Medicaid	379,650.49	4,661,995.37	5,041,645.86	17.76%	17.50%	18.86%	18.75%	18.22%	20.28%	21.56%
Medicare	875,882.68	8,906,484.41	9,782,367.09	34.46%	36.51%	38.60%	36.99%	36.75%	35.27%	35.90%
Medicare HMO	614,669.97	3,582,642.48	4,197,312.45	14.79%	11.01%	7.77%	7.20%	4.47%	3.55%	2.76%
Self Pay	60,879.29	850,944.24	911,823.53	3.21%	3.95%	3.68%	4.40%	5.40%	6.96%	5.26%
Self Pay - Client Billing	-	80,720.34	80,720.34	0.28%	0.36%	0.22%	0.18%	0.18%	0.19%	0.17%
Veterans Administration	145,152.23	1,026,099.88	1,171,252.11	4.13%	3.76%	4.13%	2.74%	4.13%	3.58%	2.74%
Workers Compensation	-	421,947.25	421,947.25	1.49%	1.03%	0.92%	1.52%	1.22%	1.17%	1.37%
Total	**2,609,425.44**	**25,776,151.36**	**28,385,576.80**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**99.97%**
Blank										0.00%
HMO (Health Maint Org)										0.03%
Total						100.00%	100.00%	100.00%	100.00%	100.00%

Pagosa Springs Medical Center
Financial Forecast
Statement of Cash Flows

	May 2022
Cash Flows from operating activities	
Change in net assets	(449,450)
Adjustments to reconcile net assets to net cash	
Depreciation and amortization	136,427
Patient accounts receivable	(724,776)
Accounts payable and wages payable	1,378,965
Accrued liabilities	13,339
Pre-paid assets	(122,776)
Deferred revenues	(344,186)
Other receivables	376,078
Reserve for third party settlement	(107,336)
Inventory	4,980
Net Cash Provided by (used in) operating activities	161,265
Cash Flows from investing activities	
Purchase of property and equipment	(81,898)
Work in progress	-
Proceeds from sale of equipment/(Loss)	-
Net Cash Provided by (used in) investing activities	(81,898)
Cash Flows from financing activities	
Principal payments on long-term debt	-
Proceeds from debt (funding from 2021 Bond)	-
Proceeds from PPP Short Term Loan	-
Recognize Amounts from Relief Fund	-
Payments/Proceeds from Medicare Accelerated Payment	(306,346)
Change in Prior Year Net Assets	-
Change in leases payable	(9,016)
Net Cash Provided by (used in) financing activities	(315,362)
Net Increase(Decrease) in Cash	(235,995)
Cash Beginning of Month	17,937,967
Cash End of Month	17,701,972

2022						
Month	Cash Goal	Actual Cash	Variance	% Collected	GL Non AR	Total
Jan-22	$2,121,338.00	$2,559,519.95	$438,181.95	120.66%	$ (89,581.25)	$2,469,938.70
Feb-22	$2,758,055.00	$2,629,036.30	($129,018.70)	95.32%	$ 229,760.89	$2,858,797.19
Mar-22	$2,447,401.00	$2,867,669.94	$420,268.94	117.17%	$ (100,621.01)	$2,767,048.93
Apr-22	$2,458,581.00	$2,473,500.99	$14,919.99	100.61%	$ (75,703.82)	$2,397,797.17
May-22	$2,683,321.00	$2,492,736.21	($190,584.79)	92.90%	$ (213,193.08)	$2,279,543.13
	$12,468,696.00	$13,022,463.39	$553,767.39	104.44%	$ (249,338.27)	$12,773,125.12

Pagosa Springs Medical Center
Cash Forecast as of end of May 2022
Forecast Months Based on Budget and Actual

Prepared 6/22/2022
Cash balance at 12/31/21 18,153,025

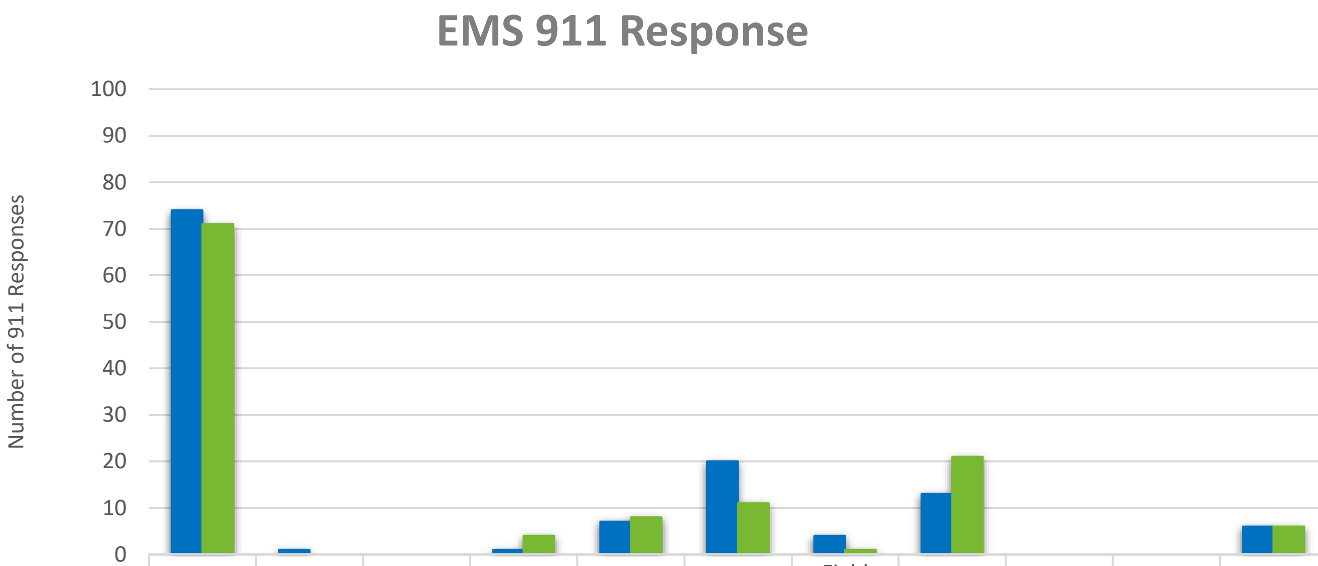
	(1) Net Asset Change	(2) Depreciation	(3) Receivables	(4) Payables & Other Liabilities	(5) Pre-Paid Assets	(6) Deferrred Revenue	(7) Third Party	(8) Inventory	(9) Equipment Purchase	(10) Lease Payables	(11) Other	Net Cash Change	Balance
January 2022 (Actual)	(92,659)	145,357	(208,375)	1,309	(27,688)	-	(43,608)	(3,452)	(38,542)	(14,316)	(143,656)	(425,630)	17,727,395
February 2022 (Actual)	(389,081)	145,171	749,244	284,437	(8,139)	(70,348)	(204,353)	2,184	(122,975)	(14,341)	(159,398)	212,401	17,939,796
March 2022 (Actual)	(92,064)	146,944	865,722	429,452	26,909	(490,329)	(3,184)	(6,718)	(10,302)	(14,367)	(272,512)	579,551	18,519,347
April 2022 (Actual)	(169,828)	151,033	(15,343)	(42,597)	49,270	(163,007)	(5,307)	23,627	(104,967)	(8,991)	(295,270)	(581,380)	17,937,967
May 2022 (Actual)	(449,450)	136,427	(348,698)	1,392,304	(122,776)	(344,186)	(107,336)	4,980	(81,898)	(9,016)	(306,346)	(235,995)	17,701,972
June 2022 (Budget)	(84,597)	178,170	(75,000)	25,000	5,000	-	(50,000)	5,000	(100,000)	(30,000)	10,968	(115,459)	17,586,513
July 2022 (Budget)	461,651	195,208	(75,000)	25,000	5,000	-	50,000	5,000	(50,000)	(30,000)	10,968	597,827	18,184,340
August 2022 (Budget)	288,228	200,209	(75,000)	25,000	5,000	-	(50,000)	5,000	(100,000)	(30,000)	10,968	279,405	18,463,745
September 2022 (Budget)	291,487	206,208	(75,000)	25,000	5,000	-	(50,000)	5,000	(50,000)	(30,000)	10,968	338,663	18,802,408
October 2022 (Budget)	(148,862)	211,208	(75,000)	25,000	5,000	-	50,000	5,000	(100,000)	(30,000)	10,968	(46,686)	18,755,722
November 2022 (Budget)	(15,488)	217,207	(75,000)	25,000	5,000	-	(50,000)	5,000	(50,000)	(30,000)	10,968	42,687	18,798,409
December 2022 (Budget)	38,367	217,207	(75,000)	25,000	5,000	-	50,000	5,000	(110,495)	(30,000)	10,972	136,051	18,934,460
Totals	(362,296)	2,150,349	517,550	2,239,905	(47,424)	(1,067,870)	(413,788)	55,621	(919,179)	(271,031)	(1,100,402)	781,435	18,934,460
							981,635						

	at 12/31/21
Bond Requirements (60 days cash)	6,641,069
Less Cares Act	(669,775)
Less Medicare Accelerated	(1,384,122)
Less Bond Reserve	(878,731)
Net Cash for Days Cash on Hand	16,001,832
AVG. Expense Per Day	110,684
Days Cash on Hand	144.57

Notes:
(1) Forecast based on projected net income.
(2) Forecast is based on the budgeted depreciation expense.
(3) Based on projected changes in receivables.
(4) Based on projected changes in payables and liabilities.
(5) Based on projected changes in prepaids.
(6) Based on projected deferred revenues.
(7) Based on projected Due to Third Party Reserves.
(8) Based on projected Inventory changes.
(9) Based on projected equipment and capital project expenditures.
(10) Based on projected lease payments.
(11) Based on projected receivables and payables due to Covid.

Operations Report for May 2022

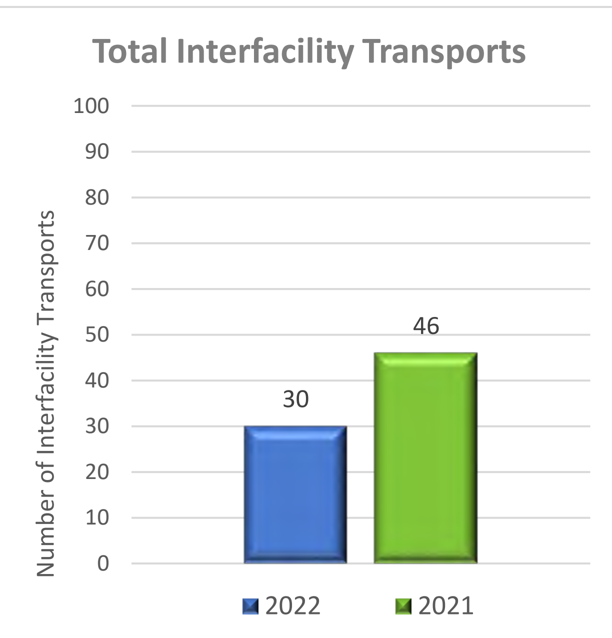
EMS: May

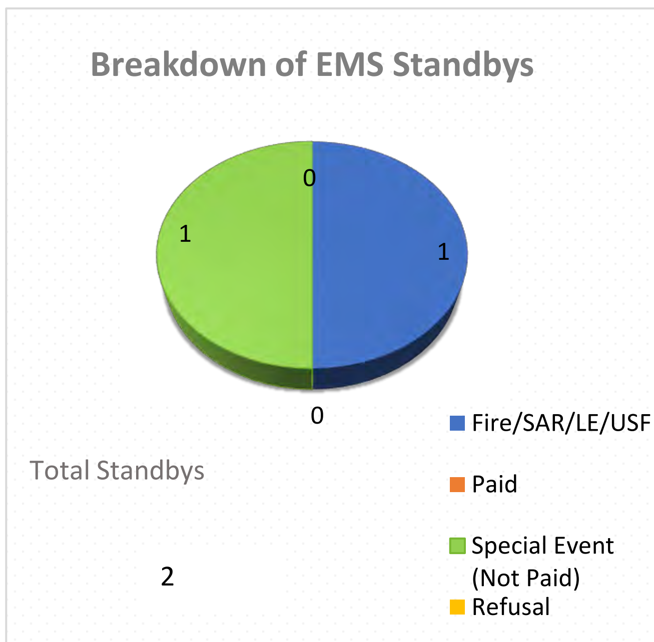


	To PSMC	To MRMC	Rotor	Standby	Cancelled	No Pt Contact	Field Pronouncement	Refusal	Medical Alarm	Other	Lift Assist
2022	74	1	0	1	7	20	4	13	0	0	6
2021	71	0	0	4	8	11	1	21	0	0	6

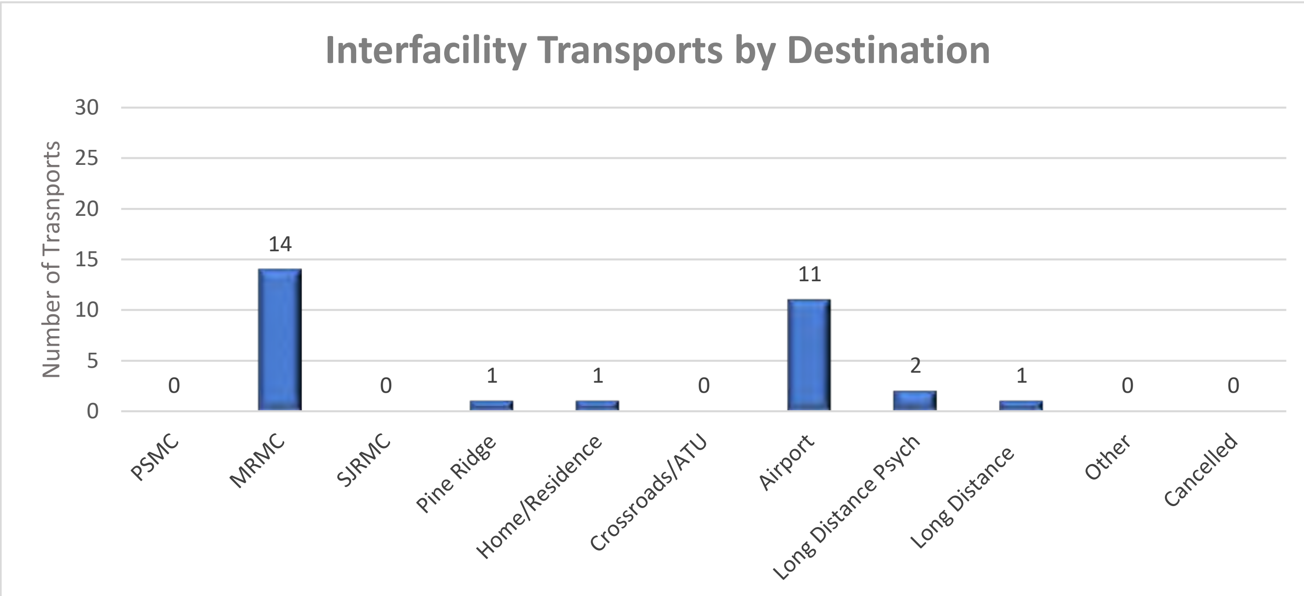
Total 911 Responses for 2020 : 122

2022 2021

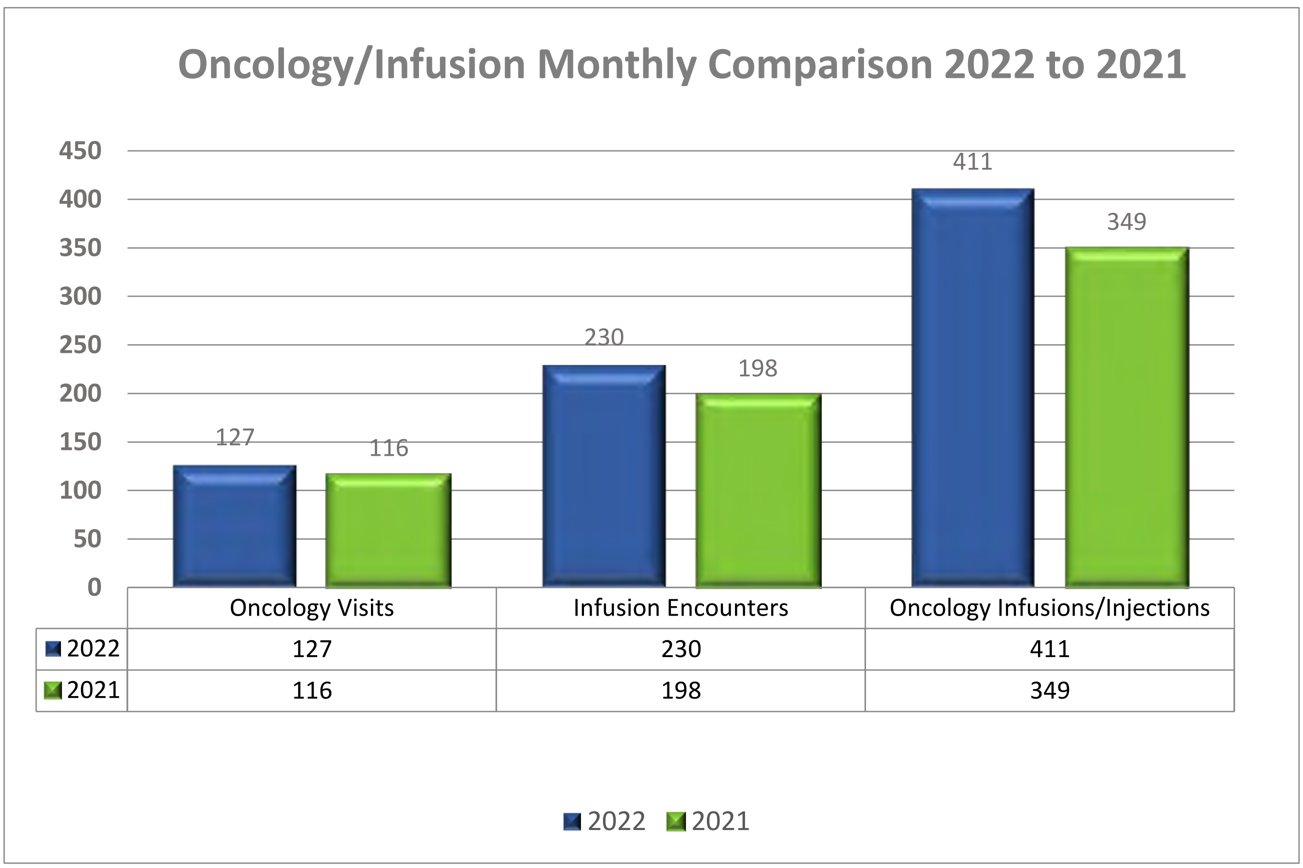




EMS: May

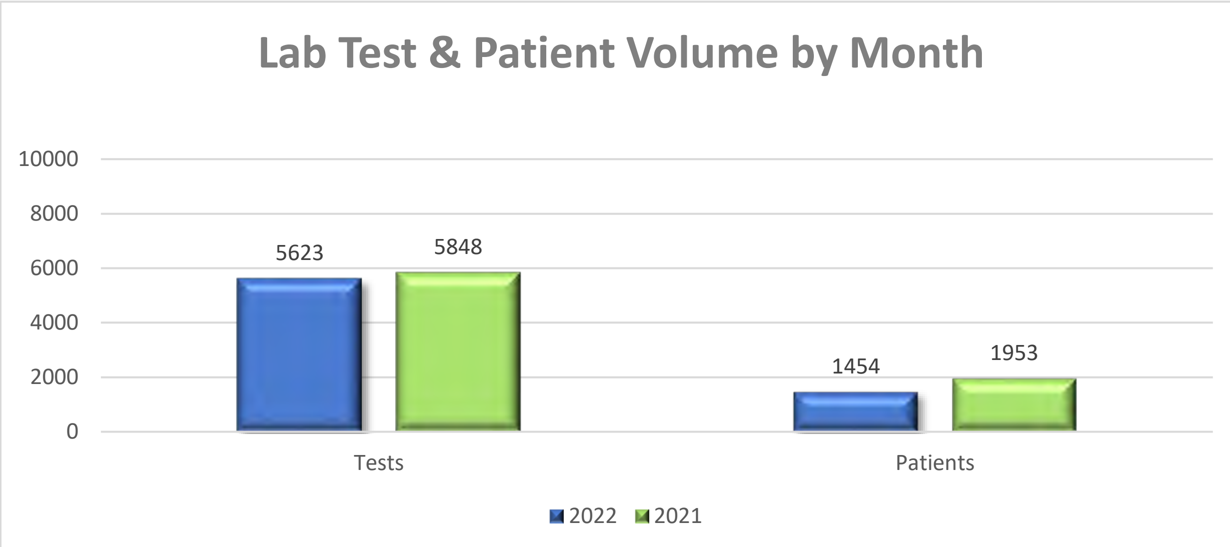


Oncology/Infusion: May

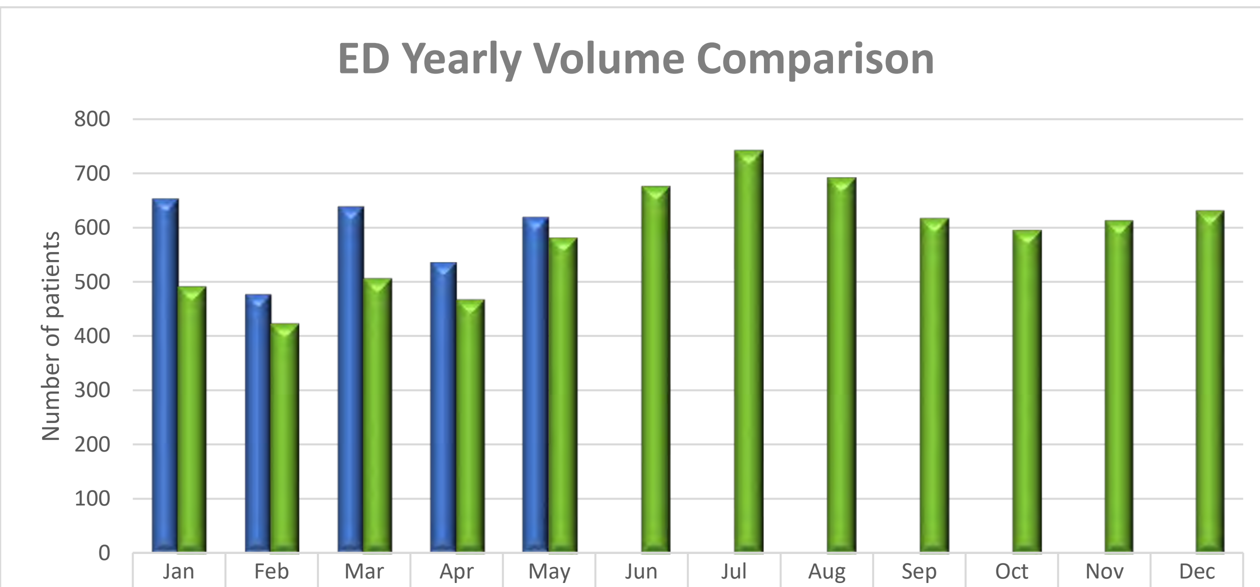


	Oncology Visits	Infusion Encounters	Oncology Infusions/Injections
2022	127	230	411
2021	116	198	349

Lab: May



ED: May

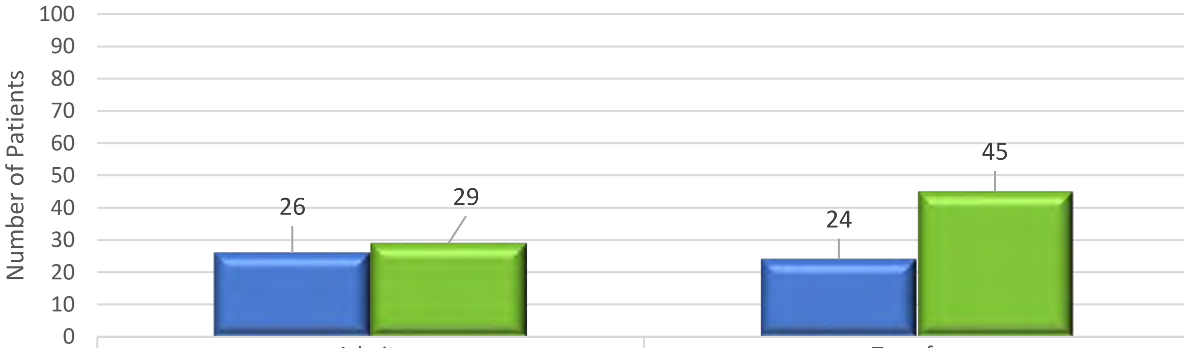


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	653	477	639	536	619							
2021	488	420	503	464	578	673	739	689	614	592	610	628

2022 2021

ED: May

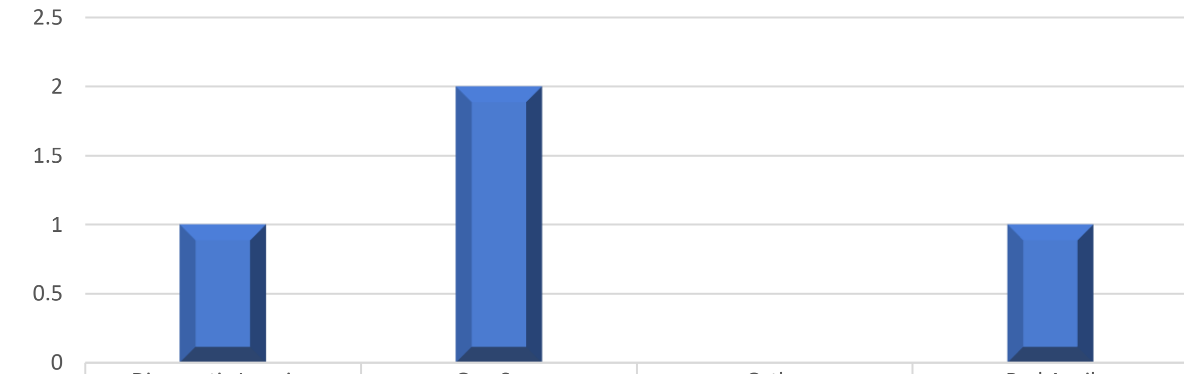
ED Inpatient Admissions and Transfers Monthly Comparison



	Admits	Transfers
2022	26	24
2021	29	45

2022 2021

Resource Related Transfers



	Diagnostic Imaging	Gen Surg	Ortho	Bed Avail
2022	1	2	0	1

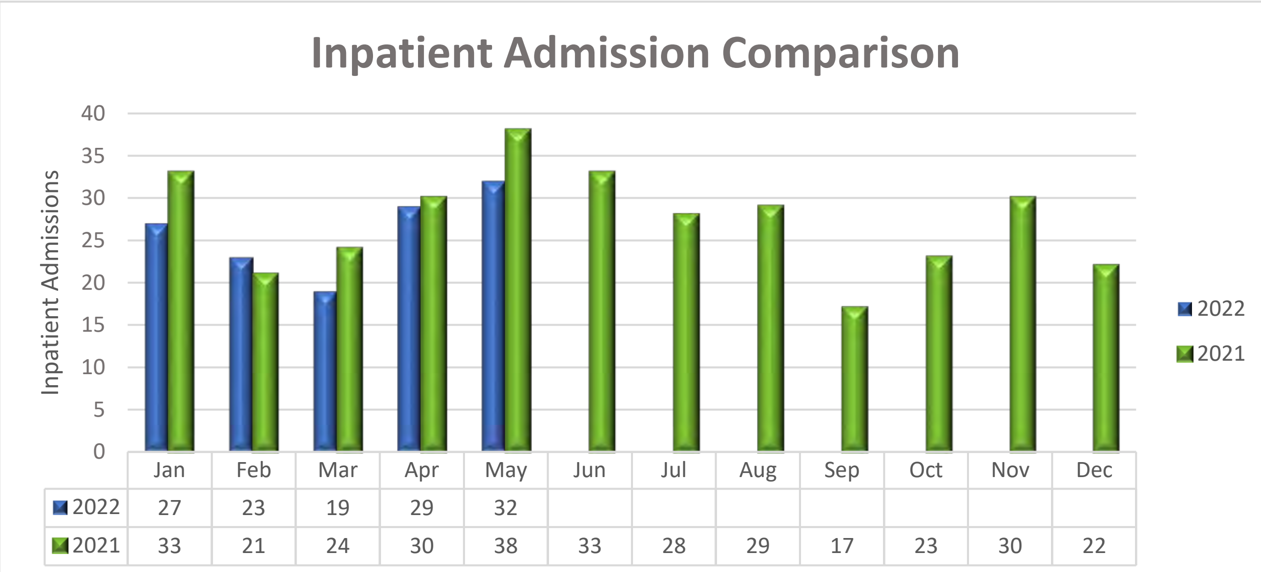
Average Daily Census

20

Average Length of Stay (in hours)

2.4

Inpatient : May



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	27	23	19	29	32							
2021	33	21	24	30	38	33	28	29	17	23	30	22

Average Daily Census

3.6

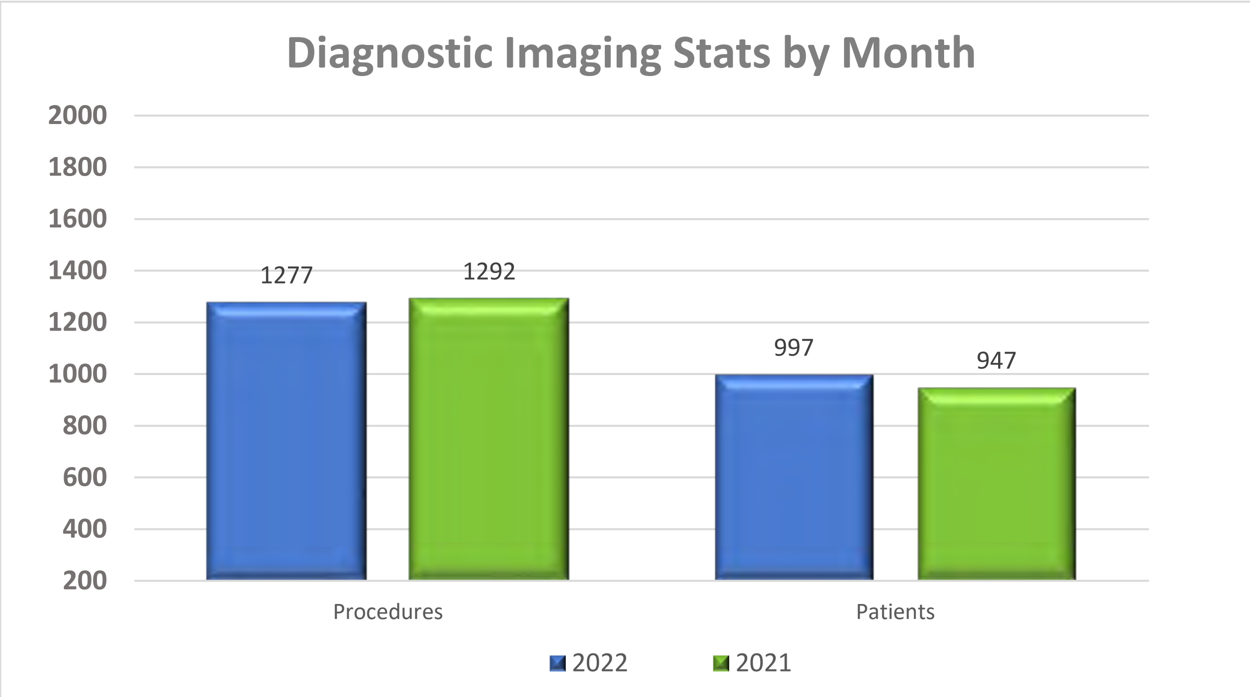
Average Length of Stay (in days)

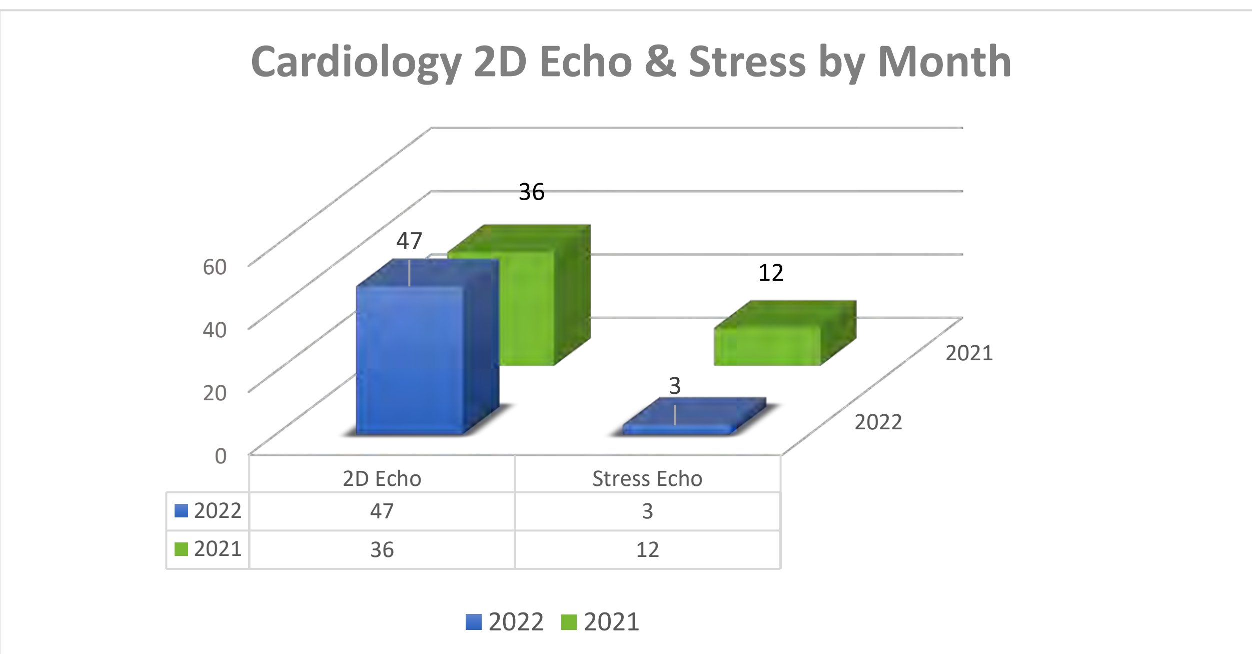
3.2

COVID-19 Patients Hospitalized at PSMC

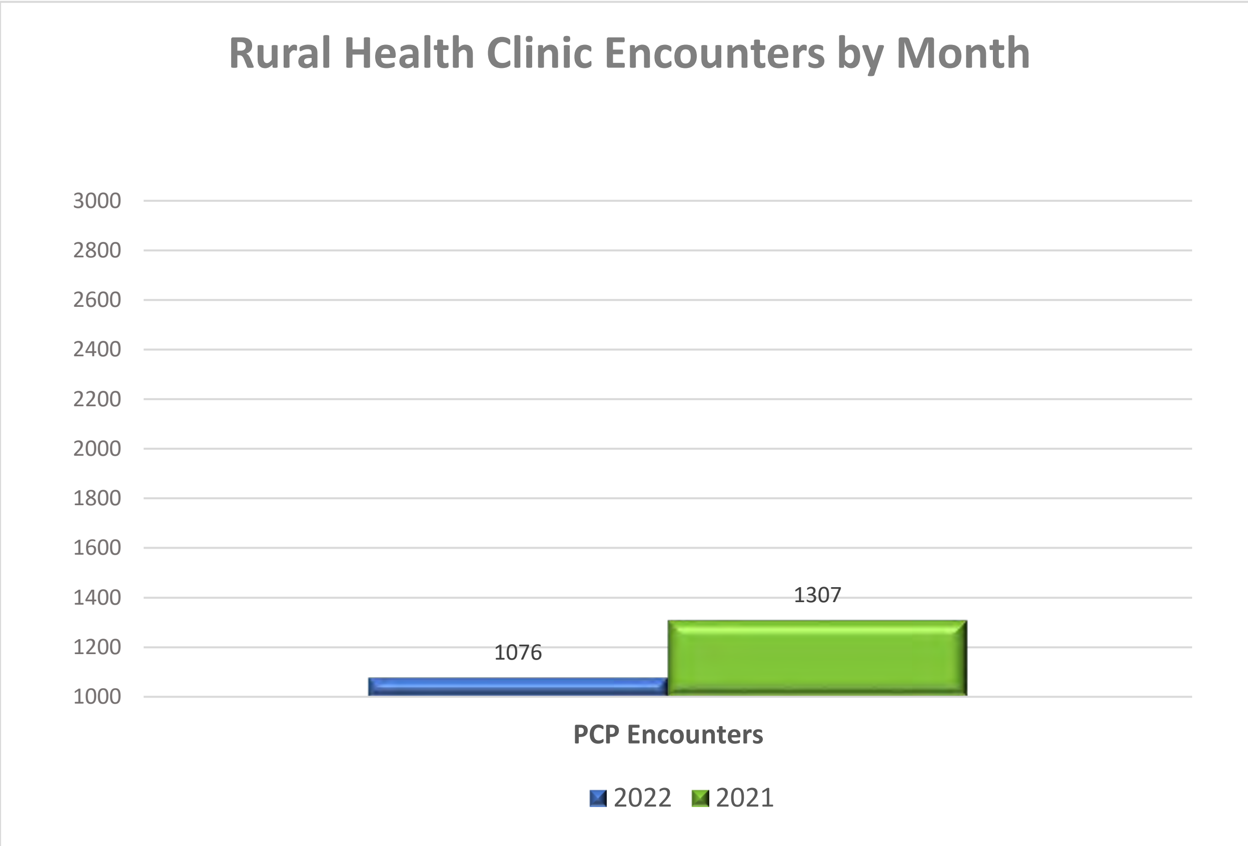
1

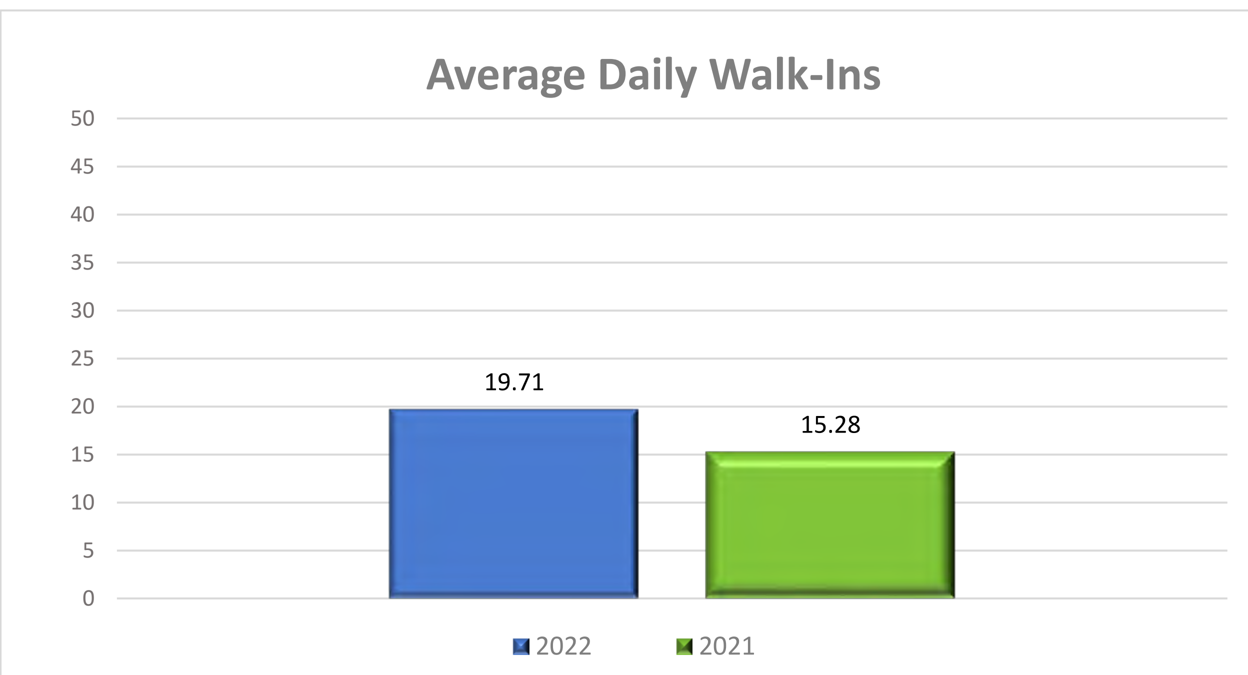
Diagnostic Imaging: May



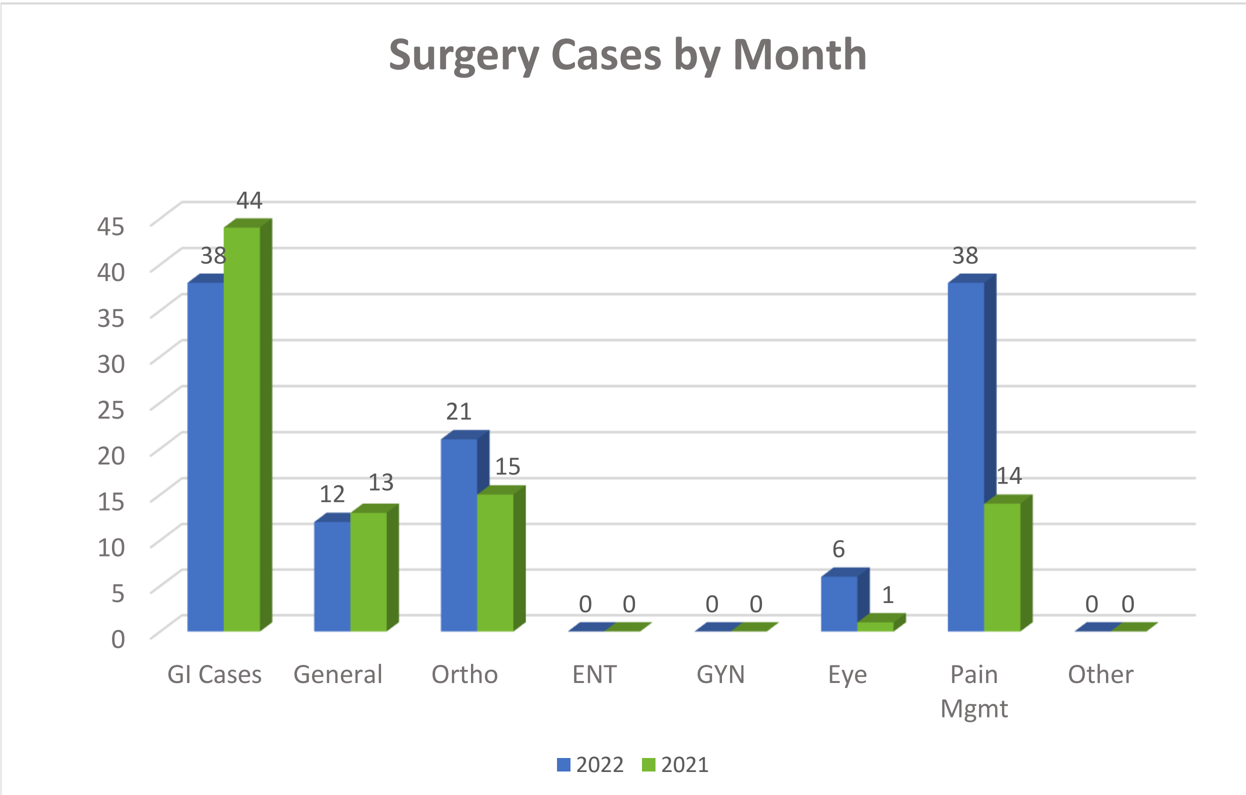


Clinic: May


Rural Health Clinic Encounters by Month
3000
2800
2600
2400
2200
2000
1800
1600
1400
1200
1000
1076
1307
PCP Encounters
2022
2021


Average Daily Walk-Ins
50
45
40
35
30
25
20
15
10
5
0
19.71
15.28
2022
2021

Surgery


Surgery Cases by Month
45
40
35
30
25
20
15
10
5
0
38
44
12
13
21
15
0
0
0
0
6
1
38
14
0
0
GI Cases
General
Ortho
ENT
GYN
Eye
Pain Mgmt
Other
2022
2021

PAGOSA SPRINGS Medical Center

THE CARE YOU DESERVE, IN THE MOUNTAINS YOU LOVE

THE UPPER SAN JUAN HEALTH SERVICE DISTRICT
DOING BUSINESS AS PAGOSA SPRINGS MEDICAL CENTER

MEDICAL STAFF REPORT BY CHIEF OF STAFF, JOHN WISNESKI
June 28, 2022

I. STATEMENT OF THE MEDICAL STAFF'S RECOMMENDATIONS FOR THE USJHSD BOARD ACCEPTANCE OF NEW POLICIES OR PROCEDURES ADOPTED BY THE MEDICAL STAFF:

RECOMMENDATION	DESCRIPTION
Medical Staff Policy: Content of Medical Staff Credentials File	Revised Medical Staff Policy
Medical Staff Policy: Performance Monitoring and Proctoring	Revised Medical Staff Policy

II. STATEMENT OF THE MEDICAL STAFF'S RECOMMENDATIONS FOR THE USJHSD BOARD ACCEPTANCE OF PROVIDER PRIVILEGES (ACCEPTANCE BY THE BOARD RESULTS IN THE GRANT OF PRIVILEGES):

NAME	INITIAL/REAPPOINT/CHANGE	TYPE OF PRIVILEGES	SPECIALTY
Daniel Gillespie, MD	Initial Appointment	Telemedicine/Teleradiology	Diagnostic Radiology
Hope Beatte, MD	Reappointment	Telemedicine/Telepsychiatry	Psychiatry
Keith Dangleis, MD	Reappointment	Telemedicine/Teleradiology	Diagnostic Radiology
Mark Dennis, MD	Reappointment	Telemedicine/Teleradiology	Diagnostic Radiology
John Gilbert, MD	Reappointment	Telemedicine/Teleradiology	Diagnostic Radiology
Peter Stratil, MD	Reappointment	Telemedicine/Teleradiology	Interventional Radiology/ Diagnostic Radiology
Kenna Williams, MD	Reappointment	Courtesy/General Surgery	Surgery

III. REPORT OF NUMBER OF PROVIDERS BY CATEGORY
Active: 17
Courtesy: 23
Courtesy-Locum Tenens: 2
Telemedicine: 130
Advanced Practice Providers & Behavioral Health Providers: 12
Honorary: 1
Total: 185

UPPER SAN JUAN HEALTH SERVICE DISTRICT
D/B/A PAGOSA SPRINGS MEDICAL CENTER

Formal Written Resolution 2022-16
June 28, 2022

WHEREAS, auditor Dingus, Zarecor & Associates, PLLC has delivered to the Board of Directors of the Upper San Juan Health Service District d/b/a Pagosa Springs Medical Center its written and verbal report of the financial audit for fiscal year ending December 31, 2021.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE UPPER SAN JUAN HEALTH SERVICE DISTRICT HEREBY RESOLVES to accept the audit report of Dingus, Zarecor & Associates, PLLC, titled: *Upper San Juan Health Service District doing business as Pagosa Springs Medical Center, Basic Financial Statements and Independent Auditors' Report, December 31, 2021 and 2020* and letters attached thereto.

ADOPTED and APPROVED by the Board of Directors this 28th day of June, 2022.

____

Matt Mees, Chair of the Board of Directors

UPPER SAN JUAN HEALTH SERVICE DISTRICT
D/B/A PAGOSA SPRINGS MEDICAL CENTER

Formal Written Resolution 2022-17 (OPTION A)
June 28, 2022

WHEREAS, the Board of Directors of the Upper San Juan Health Service District d/b/a Pagosa Springs Medical Center has discussed and considered the due diligence information related to Pruitt Building.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE UPPER SAN JUAN HEALTH SERVICE DISTRICT HEREBY RESOLVES to proceed with the purchase of the Pruitt Building and authorize the Board Chair, the Vice Chair and/or CEO to execute such documents (including, without limitation, the term sheet for lease-purchase financing) and take such actions to close on the acquisition of the Pruitt Building.

ADOPTED and APPROVED by the Board of Directors this 28th day of June, 2022.

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Matt Mees, Chair of the Board of Directors

UPPER SAN JUAN HEALTH SERVICE DISTRICT
D/B/A PAGOSA SPRINGS MEDICAL CENTER

Formal Written Resolution 2022-17 (OPTION B)
June 28, 2022

WHEREAS, the Board of Directors of the Upper San Juan Health Service District d/b/a Pagosa Springs Medical Center has discussed and considered the due diligence information related to Pruitt Building.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE UPPER SAN JUAN HEALTH SERVICE DISTRICT HEREBY RESOLVES not to proceed with the purchase of the Pruitt Building and authorize the Board Chair, the Vice Chair and/or CEO to execute such documents and take such actions, prior to July 1, 2022, to terminate the contract to purchase the Pruitt Building and secure the refund of the District's $100,000 earnest money deposit.

ADOPTED and APPROVED by the Board of Directors this 28th day of June, 2022.

____

Matt Mees, Chair of the Board of Directors

MINUTES OF REGULAR BOARD MEETING
Tuesday, May 24, 2022
5:30 PM
The Board Room
95 South Pagosa Blvd., Pagosa Springs, CO 81147

The Board of Directors of the Upper San Juan Health Service District (the *"Board"*) held its regular board meeting on May 24, 2022, at Pagosa Springs Medical Center, The Board Room, 95 South Pagosa Blvd., Pagosa Springs, Colorado as well as via Zoom video communications.

Directors Present: Vice-Chair Matt Mees, Treasurer-Secretary Mark Zeigler, Director Jason Cox, Director Kate Alfred, Director Martin Rose, and Director Barbara Parada.

Present via Zoom: Director Dr. Jim Pruitt.

Director(s) Absent: There were none.

1) **CALL TO ORDER**
   a) Call for quorum: Vice-Chair Mees called the meeting to order at 5:30 p.m. MST and Clerk to the Board, Heather Thomas, recorded the minutes. A quorum of directors was present and acknowledged.
   b) Seat Board Members Elected on May 3, 2022:
      i) Clerk to the Board, Ms. Thomas, confirmed execution of Oath of Office for term of May 2022 until the election in May 2025 for Kate Alfred, Jason Cox, Barbara Parada and Martin Rose.
      ii) Clerk to the Board, Ms. Thomas, affirmed all Directors are covered by the District's Directors and Officers insurance policy.
   c) Board member self-disclosure of actual, potential or perceived conflicts of interest: There was none.
   d) Approval of the Agenda: Director Cox motioned to approve the agenda as presented. Upon motion seconded by Director Martin Rose, the Board unanimously approved the agenda.

2) **PUBLIC COMMENT**

   There was none.

3) **PRESENTATION:**
   a) ***Recognition of Memi Fox, RN***

   COO-CNO Kathee Douglas introduced Memi Fox, RN as Trauma Nurse Coordinator and RN Manager of ED and Inpatient units. COO-CNO Douglas announced that Ms. Fox was awarded Trauma Nurse Coordinator of the Year for Level III and Level IV trauma centers by peers at UC Memorial in Colorado Springs. COO-CNO Douglas advised there are approximately 15 to 20 Level

III and Level IV trauma centers in the state.

b) ***PSMC's Quality Assurance Program***

Compliance Officer for Pagosa Springs Medical Center, Anita Hooton, presented and discussed the 2022 Quality Assurance and Performance Improvement Plan. Questions were asked and answered.

c) ***Antibiotic Stewardship***

Employee Health and Infection Control RN for Pagosa Springs Medical Center, Carrie Emens, presented and discussed a PowerPoint presentation regarding Antibiotic Stewardship. Questions were asked and answered.

4) <u>REPORTS</u>

a) Oral Reports

i) <u>Chair Report</u>

Vice-Chair Mees discussed the following Facilities updates:

- The new MRI machine has had some initial operational issues, but is now successfully up and running.
- Funds for 3D mammography machine have been raised and equipment ordered. Renovation plans for the room where the machine will be installed are prepared. It is hopeful that equipment will be delivered soon and installed, so it can be operational by the end of summer.
- During COVID, in 2021, the need for oxygen regeneration was identified to assure continuity of patient care. Early stages of preparation for this project are currently underway of anticipation of a soil study to be conducted. Questions were asked and answered.
- Staff are arranging to remove dead trees on the property. In addition, quotes are being requested for repairing, sealing and re-striping the parking lot to avoid an even greater future expense.
- CAO, Ann Bruzzese, advised PSMC is under contract to purchase the Pruitt Building and 2.25 acres just north of the medical center subject to our objections for due diligence and lending terms. PSMC has arranged for inspection, appraisal, survey, title review, and lending options. All of the reports on these matters are due back to PSMC in time for the June Finance Committee meeting and the June Board meeting. This Board will have decisions to make on the Pruitt building at the June meeting.

ii) <u>CEO Report</u>

For the benefit of the two new Board members, CEO Dr. Webb presented and discussed a PowerPoint presentation giving an overview of PSMC's accomplishments.

CEO Dr. Webb advised of the following updates:

- There has been an increase in the number of patients that have tested positive for COVID and flu, as well as the norovirus.
- There has been an increase in applicants and hiring. The need for traveler staffing continues in the areas of laboratory, nursing and radiology.
- There is a nation-wide shortage of contrast fluid used to inject in patients for CT/CAT scans.
- PSMC has an ambulance staged at the Plumtaw fire for medical support.
- PSMC's EMS has supplied the Archuleta County Sheriff's Department with AED machines and training for their patrol vehicles because ACSD often arrives first to a

scene.

Questions were asked and answered.

iii) Executive Committee

There was no report.

iv) Foundation Committee

There was no report.

v) Facilities Committee

Presented by Vice-Chair Mees during the Chair Report agenda item.

vi) Strategic Planning Committee

There was no report.

vii) Finance Committee & Report

CFO Chelle Keplinger then presented and discussed the PowerPoint presentation regarding financials for April 2022.

On behalf of the Finance Committee, Treasurer-Secretary Zeigler advised the Board that at the start of COVID (in 2020), PSMC received an advance of Medicare payments. PSMC applies the advance to sums due by Medicare to PSMC for services, and if in September, we have any surplus of the advance, PSMC will return the surplus to Medicare. Treasurer-Secretary Zeigler then stated the Finance Committee's recommendation to the Board to accept the financials as presented.

Questions were asked and answered.

b) Written Reports

i) Operations Report

Treasurer-Secretary Zeigler asked a question regarding the reported numbers for Oncology. COO-CNO Douglas answered.

ii) Medical Staff Report

There were no questions

5) DECISION AGENDA

a) Resolution 2022-14

Director Dr. Pruitt motioned to accept Resolution 2022-14 regarding acceptance of the Quality Assurance and Performance Improvement Plan. Upon motion seconded by Director Cox, the Board unanimously adopted said resolution.

b) Resolution 2022-15

Director Cox gave an overview of Resolution 2022-15.

Director Rose motioned to accept Resolution 2022-15 regarding support for broadband grant by Archuleta County Broadband Services Management Office. Upon motion seconded by Director Parada, the Board unanimously adopted said resolution.

6) CONSENT AGENDA

Director Parada and Director Rose abstained themselves from approving the minutes of the regular meeting of 04/26/2022, due to not being on the Board at that time.

Director Cox motioned to approve the regular meeting minutes of 04/26/2022, and the Medical Staff report recommendations for new or renewal of provider privileges.

Upon motion seconded by Director Alfred, the Board approved said consent agenda items with noted abstention of Directors Parada and Rose.

7) EXECUTIVE SESSION

The Board did not meet in executive session.

8) <u>OTHER BUSINESS</u>

a) Election of Officers for each of the Board offices.

Director Dr. Pruitt motioned to elect Matt Mees as Chair, Jason Cox as Vice-Chair and Mark Zeigler to remain as Treasurer-Secretary. Director Cox stated he would decline the nomination due to his inability to allocate sufficient time to the position and then motioned to elect Matt Mees as Chair, Kate Alfred as Vice-Chair and Mark Zeigler to remain as Treasurer-Secretary.

Director Dr. Pruitt withdrew his motion. Treasurer-Secretary Zeigler then seconded the motion presented by Director Cox. Upon motion seconded, the Board unanimously approved the election of Matt Mees as Chair, Kate Alfred as Vice-Chair and Mark Zeigler as Treasurer-Secretary.

Chair Mees advised the Board of the four committees to which no more than two Board Members are assigned: the Foundation Committee, Facilities Committee, Strategic Planning Committee and the Finance Committee. Chair Mees stated that he will be considering designations to those committees within the next couple of weeks.

9) <u>ADJOURN</u>

There being no further business, Chair Mees adjourned the regular meeting at 6:48 p.m. MST.

Respectfully submitted by:
Heather Thomas, serving as Clerk to the Board