

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

Management's Discussion and Analysis

And

Financial Statements

For the Years Ended December 31, 2017 and 2016,

Supplemental Information

And

Independent Auditors' Reports

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kit Carson County Health Service District
Burlington, Colorado

We have audited the accompanying financial statements of Kit Carson County Health Service District (the District), which comprise the statement of net position as of December 31, 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider 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.

Report on Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of budgeted and actual revenues and expenses on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Prior Period Financial Statements

The financial statements of the District as of December 31, 2016, were audited by other auditors, whose report dated June 15, 2017, expressed an unmodified opinion on those statements.

Stockman Kast Ryan & Co., LLP

May 23, 2018

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial performance of Kit Carson County Health Service District (the District) provides an overall review of the District’s financial activities and balances as of and for the years ended December 31, 2017 and 2016. The intent of this discussion and analysis is to provide further information on the District’s performance as a whole. Readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District’s financial status.

Financial Highlights

- The District’s net position decreased by \$2,252,840 and \$546,795 in 2017 and 2016, respectively.
- The District reported operating losses of \$2,133,511 and \$384,391 in 2017 and 2016, respectively.
- The District’s total assets decreased \$2,813,763 in 2017 compared to 2016 and \$703,993 in 2016 compared to 2015.

Financial Statements

The District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in financial position and cash flows in a manner similar to private-sector businesses. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. 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*.

The *statement of net position* presents information on the District's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and non-operating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the District's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year.

Net Position

| | 2017 | 2016 | 2015 |
|----------------------------------|----------------------|----------------------|----------------------|
| Assets: | | | |
| Cash and investments | \$ 7,595,459 | \$ 8,837,585 | \$ 9,554,540 |
| Patient accounts receivable, net | 2,087,586 | 2,567,666 | 2,664,681 |
| Other current assets | 1,949,676 | 1,784,870 | 1,012,326 |
| Capital assets, net | <u>7,469,452</u> | <u>8,725,815</u> | <u>9,388,382</u> |
| Total assets | <u>\$ 19,102,173</u> | <u>\$ 21,915,936</u> | <u>\$ 22,619,929</u> |

| | | | |
|--|----------------------|----------------------|----------------------|
| Liabilities: | | | |
| Current liabilities | \$ 1,934,346 | \$ 2,033,505 | \$ 2,091,410 |
| Long-term debt, less current maturities | <u>10,748,432</u> | <u>11,315,160</u> | <u>11,431,647</u> |
| Total liabilities | <u>12,682,778</u> | <u>13,348,665</u> | <u>13,523,057</u> |
| | | | |
| Deferred inflows of resources | <u>585,926</u> | <u>480,962</u> | <u>463,768</u> |
| | | | |
| Net Position: | | | |
| Net investment in capital assets | (2,440,843) | (1,708,157) | (1,058,090) |
| Restricted – expendable for debt service | 434,850 | 491,464 | 387,874 |
| Unrestricted | <u>7,839,462</u> | <u>9,303,002</u> | <u>9,303,320</u> |
| Total net position | <u>5,833,469</u> | <u>8,086,309</u> | <u>8,633,104</u> |
| | | | |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 19,102,173</u> | <u>\$ 21,915,936</u> | <u>\$ 22,619,929</u> |

The District's assets decreased by \$2,813,763 in 2017 and decreased by \$703,993 in 2016. Cash and investments decreased \$1,242,126 in 2017 due mainly to the loss from operations. Patient accounts receivable, net decreased \$480,080 in 2017 due to a reduction in inpatient and outpatient volumes and write-offs due to out of timely filings for Medicaid. Cash and investments decreased \$716,955 in 2016 due mainly to the loss from operations. Other current assets increased \$772,544 in 2016 due to a receivable recorded for estimated third party payer settlements in 2016 compared to a payable recorded in 2015.

The District's liabilities decreased by \$665,887 in 2017 and decreased by \$174,392 in 2016. Long-term debt decreased \$566,728 in 2017 due to payments on the bonds payable and capital lease obligations.

See further information under Capital Assets and Debt Administration below.

Operating Results and Changes in Net Position

The District's net position decreased in 2017 and 2016 by \$2,252,840 and \$546,795, respectively, compared with an increase in 2015 of \$680,135. These changes in net position are made up of different components as follows:

| | 2017 | 2016 | 2015 |
|--|--------------------|-------------------|-------------------|
| OPERATING REVENUES | | | |
| Net patient service revenue | \$ 14,212,105 | \$ 15,019,188 | \$ 15,758,230 |
| Other operating revenue | <u>114,607</u> | <u>81,014</u> | <u>130,277</u> |
| Total operating revenues | <u>14,326,712</u> | <u>15,100,202</u> | <u>15,888,507</u> |
| | | | |
| OPERATING EXPENSES | | | |
| Salaries and wages | 7,109,051 | 6,595,501 | 5,921,552 |
| Purchased services and professional fees | 3,259,675 | 2,982,152 | 2,593,769 |
| Employee benefits | 1,409,766 | 1,302,412 | 1,041,964 |
| Supplies | 1,399,892 | 1,537,038 | 1,670,638 |
| Depreciation | 1,367,559 | 1,417,520 | 1,408,540 |
| Provider fees | 568,086 | 348,896 | 406,529 |
| Other | <u>1,346,194</u> | <u>1,301,074</u> | <u>1,969,881</u> |
| Total operating expenses | <u>16,460,223</u> | <u>15,484,593</u> | <u>15,012,873</u> |
| | | | |
| INCOME (LOSS) FROM OPERATIONS | <u>(2,133,511)</u> | <u>(384,391)</u> | <u>875,634</u> |

| | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|
| NON-OPERATING INCOME (EXPENSE) | | | |
| Property taxes | 530,738 | 519,463 | 465,625 |
| Interest expense | (728,612) | (786,133) | (815,796) |
| Investment income | 22,993 | 13,033 | 9,075 |
| Non-capital contributions | 8,828 | 50,194 | 136,697 |
| Other income, net | <u>46,724</u> | <u>32,139</u> | <u> </u> |
| Total non-operating income (expense), net | <u>(119,329)</u> | <u>(171,304)</u> | <u>(204,399)</u> |
| REVENUES OVER (UNDER) EXPENSES BEFORE CONTRIBUTIONS RESTRICTED FOR CAPITAL ASSETS | (2,252,840) | (555,695) | 671,235 |
| CONTRIBUTIONS RESTRICTED FOR CAPITAL ASSETS | <u> </u> | <u>8,900</u> | <u>8,900</u> |
| CHANGE IN NET POSITION | (2,252,840) | (546,795) | 680,135 |
| NET POSITION, beginning of year | <u>8,086,309</u> | <u>8,633,104</u> | <u>7,952,969</u> |
| NET POSITION, end of year | <u>\$ 5,833,469</u> | <u>\$ 8,086,309</u> | <u>\$ 8,633,104</u> |

The first component of the overall change in the District's net position is its operating income - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The District had an operating loss of \$2,133,511 in 2017 compared to a loss of \$384,391 in 2016.

The primary components of the loss from operations are:

- Net patient service revenue decreased \$807,083 in 2017 due primarily to a reduction in outpatient procedures and inpatient admissions and write-offs due to out of timely filings for Medicaid. Net patient service revenue decreased \$739,042 in 2016 due primarily to the Colorado provider fee decreasing by approximately \$752,000.
- Salaries and wages increased \$513,550 in 2017 due primarily to contract staff in surgery and Home Health/Hospice and the expansion in roles resulting from the organizational structure approved by the Board of Directors in 2016. Salaries and wages increased \$673,949 in 2016 due primarily to the recruitment of a new provider, severance payments, and additional staff hired to accommodate the organizational structure approved by the Board of Directors in 2016.
- Purchased services and professional fees increased \$277,523 in 2017 due primarily to an increase in legal, audit, and consulting expenses. The auditors were used for more projects in 2017 than in the past. With the lack of a Chief Financial Officer for most of 2017, consulting expense increased.

Non-operating revenues and expenses consist primarily of property tax income and interest expense. Non-operating income (loss), net totaled \$(119,329), \$(171,304), and \$(204,399) for the years ended December 31, 2017, 2016, and 2015, respectively.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating income and non-operating income and expenses, discussed earlier.

Capital Assets

In 2017, the District purchased \$111,196 of capital assets and had \$7,469,452 invested in capital assets, net of accumulated depreciation. In 2016, the District purchased \$754,953 of capital assets and had \$8,725,815 invested in capital assets, net of accumulated depreciation. See Note 5 to the financial statements.

Debt Administration

The District has bond obligations outstanding of \$10,790,000 and \$11,125,000 as of December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the District had \$516,993 and \$705,670 in outstanding capital lease obligations. See Note 6 to the financial statements.

Requests for Information

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 financial information, contact Kit Carson County Health Service District, 286 16th Street, Burlington, Colorado 80807-1651.

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 4,055,739 | \$ 5,252,235 |
| Short-term investments | 694,345 | 690,245 |
| Cash held by trustee for debt service – current | 743,160 | 799,774 |
| Patient accounts receivable, net | 2,087,586 | 2,567,666 |
| Estimated third party payer settlements | 665,805 | 512,709 |
| Property taxes receivable | 585,926 | 480,962 |
| Supplies | 461,700 | 477,787 |
| Other current assets | <u>236,245</u> | <u>313,412</u> |
| Total current assets | <u>9,530,506</u> | <u>11,094,790</u> |
| NON-CURRENT CASH AND INVESTMENTS | | |
| Cash held by trustee for debt service – non-current | 1,088,388 | 1,088,388 |
| Internally designated for capital acquisitions | <u>1,013,827</u> | <u>1,006,943</u> |
| Total non-current cash and investments | <u>2,102,215</u> | <u>2,095,331</u> |
| CAPITAL ASSETS, NET | <u>7,469,452</u> | <u>8,725,815</u> |
| TOTAL | <u>\$ 19,102,173</u> | <u>\$ 21,915,936</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 110,954 | \$ 598,383 |
| Accrued expenses and other current liabilities | 798,791 | 777,992 |
| Patient refunds payable | 466,040 | 141,620 |
| Current portion of bond payable | 360,000 | 335,000 |
| Current portion of capital lease obligations | <u>198,561</u> | <u>180,510</u> |
| Total current liabilities | <u>1,934,346</u> | <u>2,033,505</u> |
| LONG-TERM DEBT | | |
| Bond payable | 10,430,000 | 10,790,000 |
| Capital lease obligations | <u>318,432</u> | <u>525,160</u> |
| Total long-term debt | <u>10,748,432</u> | <u>11,315,160</u> |
| Total liabilities | <u>12,682,778</u> | <u>13,348,665</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred property tax revenue | <u>585,926</u> | <u>480,962</u> |
| NET POSITION | | |
| Net investment in capital assets | (2,440,843) | (1,708,157) |
| Restricted — expendable for debt service | 434,850 | 491,464 |
| Unrestricted | <u>7,839,462</u> | <u>9,303,002</u> |
| Total net position | <u>5,833,469</u> | <u>8,086,309</u> |
| TOTAL | <u>\$ 19,102,173</u> | <u>\$ 21,915,936</u> |

See notes to financial statements.

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---|-----------------------------|---------------------|
| OPERATING REVENUES | | |
| Net patient service revenue, net of provision for bad debts of \$1,003,711 and \$1,211,495, respectively | \$ 14,212,105 | \$ 15,019,188 |
| Other operating revenue | <u>114,607</u> | <u>81,014</u> |
| Total operating revenues | <u>14,326,712</u> | <u>15,100,202</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | 7,109,051 | 6,595,501 |
| Purchased services and professional fees | 3,259,675 | 2,982,152 |
| Employee benefits | 1,409,766 | 1,302,412 |
| Supplies | 1,399,892 | 1,537,038 |
| Depreciation | 1,367,559 | 1,417,520 |
| Provider fees | 568,086 | 348,896 |
| Other | <u>1,346,194</u> | <u>1,301,074</u> |
| Total operating expenses | <u>16,460,223</u> | <u>15,484,593</u> |
| LOSS FROM OPERATIONS | <u>(2,133,511)</u> | <u>(384,391)</u> |
| NON-OPERATING INCOME (EXPENSE) | | |
| Property taxes | 530,738 | 519,463 |
| Interest expense | (728,612) | (786,133) |
| Investment income | 22,993 | 13,033 |
| Non-capital contributions | 8,828 | 50,194 |
| Other income, net | <u>46,724</u> | <u>32,139</u> |
| Non-operating income (expense), net | <u>(119,329)</u> | <u>(171,304)</u> |
| REVENUES UNDER EXPENSES BEFORE CONTRIBUTIONS RESTRICTED FOR CAPITAL ASSETS | (2,252,840) | (555,695) |
| CONTRIBUTIONS RESTRICTED FOR CAPITAL ASSETS | <u> </u> | <u>8,900</u> |
| CHANGE IN NET POSITION | (2,252,840) | (546,795) |
| NET POSITION, Beginning of year | <u>8,086,309</u> | <u>8,633,104</u> |
| NET POSITION, End of year | <u>\$ 5,833,469</u> | <u>\$ 8,086,309</u> |

See notes to financial statements.

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|-----------------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Receipts from and on behalf of patients | \$ 14,539,089 | \$ 14,589,618 |
| Payments to vendors | (6,726,145) | (6,386,107) |
| Payments to employees | (8,492,643) | (8,086,507) |
| Other receipts, net | <u>191,775</u> | <u>93,578</u> |
| Net cash provided by (used in) operating activities | <u>(487,924)</u> | <u>210,582</u> |
| NON-CAPITAL FINANCING ACTIVITIES | | |
| Property taxes supporting operations | 530,738 | 519,463 |
| Other, net | <u>55,552</u> | <u>82,233</u> |
| Net cash provided by non-capital financing activities | <u>586,290</u> | <u>601,696</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal paid on long-term debt and capital lease obligations | (523,677) | (454,606) |
| Interest paid on long-term debt | (728,612) | (783,813) |
| Purchases of capital assets | (111,196) | (312,847) |
| Capital grants and contributions | | 8,900 |
| Proceeds from sales of capital assets | <u> </u> | <u>100</u> |
| Net cash used in capital and related financing activities | <u>(1,363,485)</u> | <u>(1,542,266)</u> |
| INVESTING ACTIVITIES | | |
| Investment income | 22,993 | 13,033 |
| Purchases of investments | (6,211) | (1,382,451) |
| Proceeds from disposition of investments | <u> </u> | <u>1,375,229</u> |
| Net cash provided by investing activities | <u>16,782</u> | <u>5,811</u> |
| NET DECREASE IN CASH AND EQUIVALENTS | (1,248,337) | (724,177) |
| CASH AND EQUIVALENTS, Beginning of year | <u>7,464,331</u> | <u>8,188,508</u> |
| CASH AND EQUIVALENTS, End of year | <u>\$ 6,215,994</u> | <u>\$ 7,464,331</u> |

(Continued)

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|---------------------|---------------------|
| RECONCILIATION OF CASH AND EQUIVALENTS TO THE STATEMENT OF NET POSITION: | | |
| Cash and equivalents | \$ 4,055,739 | \$ 5,252,235 |
| Cash held by trustee for debt service – current | 743,160 | 799,774 |
| Cash held by trustee for debt service – non-current | 1,088,388 | 1,088,388 |
| Internally designated for capital acquisitions | <u>328,707</u> | <u>323,934</u> |
| Total | <u>\$ 6,215,994</u> | <u>\$ 7,464,331</u> |
| RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Loss from operations | \$ (2,133,511) | \$ (384,391) |
| Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,367,559 | 1,417,520 |
| Provision for bad debts | 1,003,711 | 1,211,495 |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable, net | (523,631) | (1,114,496) |
| Estimated third-party payer settlements | (153,096) | (526,569) |
| Other assets | 93,254 | (242,642) |
| Accounts payable and other current liabilities | <u>(142,210)</u> | <u>(150,335)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ (487,924)</u> | <u>\$ 210,582</u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Equipment financed through capital lease arrangement | <u>\$ —</u> | <u>\$ 442,106</u> |

(Concluded)

See notes to financial statements.

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General — The Kit Carson County Health Service District (District) consists of Kit Carson County Memorial Hospital (Hospital), licensed as a 19-bed critical access hospital; KCCMH Home Health; Parke Health Center (PHC), a rural health clinic, located in Burlington, Colorado; and Stratton Medical Clinic (SMC), a rural health clinic, located in Stratton, Colorado. The District's seven-member Board of Directors is elected by the citizens of Kit Carson County (County) to operate, control and manage the District.

In 1996, the County electorate approved a ballot issue authorizing the formation of the District. In accordance with an agreement with the County, the District assumed the functions of the Hospital as of January 1, 1998. The County continued a 3.0 mil levy for the operation and maintenance of the facility until 1999, when the levy was discontinued and the District began to levy its own taxes at 3.0 mils.

Reporting Entity — For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit which meets the GASB criteria.

Basis of Presentation — The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, property taxes, investment income and interest on capital assets-related debt are included in non-operating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

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

Cash and Equivalents — The District considers all liquid investments, other than those limited as to use, with the original maturities of three months or less to be cash equivalents.

Property Taxes — The District received approximately 4% and 3% of its financial support from property taxes in 2017 and 2016, respectively. These funds were used to support operations. Taxes are assessed on January 1 and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Investments and Investment Income — Investments consist of certificates of deposit and money market accounts and are stated at fair value. Certificates of deposit are valued based on cost, which approximates fair value. Money market accounts are valued based on quoted prices in active markets. Investment income includes dividend and interest income and realized and unrealized gains and losses on investments.

Patient Accounts Receivable — The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the patient or third-party payer.

Supplies — Supplies are stated at the lower of cost or market.

Capital Assets — Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. The District capitalizes all capital assets exceeding \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

| | |
|---------------------------|--------------|
| Building and improvements | 5 – 50 years |
| Fixed equipment | 3 – 20 years |
| Major movable equipment | 2 – 20 years |

Gifts of capital assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as restricted net position.

Compensated Absences — The District's policies permit employees to accumulate paid time off benefits. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date.

Net Position — The District's net position is classified in the following components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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.

Net Patient Service Revenue — The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are recorded on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods, as adjustments become known.

Charity and Indigent Care — The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The District provided charity care based upon standard rates for the years ended December 31, 2017 and 2016 of \$300,648 and \$196,830, respectively. The District also provides indigent care under the Medicaid program.

Income Taxes — As an essential government function of the County, the District is generally exempt from federal and state income taxes. However, the District is subject to federal income tax on any unrelated business taxable income. The District believes that it does not have any uncertain tax positions that are material to the financial statements.

Reclassifications — Certain 2016 amounts have been reclassified to conform to the current year presentation.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. DEPOSITS AND INVESTMENTS

Deposits — Custodial credit risk is the risk that in the event of a bank failure, a hospital's deposits may not be returned to it. The District does not have a formal policy that addresses custodial credit risk.

The Colorado Public Deposit Protection Act requires financial institutions to collateralize any uninsured public deposits. Any excess of deposits over the Federal Deposit Insurance Corporation (FDIC) limits that are not insured is covered by collateral pledged by the financial institution in accordance with Public Deposit Protection Act.

At December 31, 2017, \$1,432,973 of the District's bank balances were insured by FDIC. The remaining balances were uninsured but collateralized by securities held by the pledging financial institution's trust department in other than the District's name.

Investments — The District's investments are subject to various risks, including the following:

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests in certificates of deposit with limited durations and money market accounts.

Credit Risk — Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The District has no formal investment policy that would limit its investment options. The District's money market accounts have a Standard & Poor's rating of AAAM.

Concentration of Credit Risk — The District will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying in the investment portfolio so that potential losses on individual securities will be minimized. The District does not have a formally adopted investment policy for managing concentration of credit risk.

Summary of Carrying Values — At December 31, the District's deposits and investments consisted of the following:

| | 2017 | 2016 |
|-------------------------|---------------------|-----------------------------|
| Carrying value: | | |
| Cash and equivalents | \$ 4,055,739 | \$ 6,949,423 |
| Money market accounts | 2,160,255 | 1,888,162 |
| Certificates of deposit | <u>1,379,465</u> | <u> </u> |
| Total | <u>\$ 7,595,459</u> | <u>\$ 8,837,585</u> |

Deposits and investments are included in the following statement of net position captions:

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Cash and equivalents | \$ 4,055,739 | \$ 5,252,235 |
| Short-term investments | 694,345 | 690,245 |
| Cash held by trustee for debt service – current | 743,160 | 799,774 |
| Non-current cash and investments: | | |
| Cash held by trustee for debt service – non-current | 1,088,388 | 1,088,388 |
| Internally designated for capital acquisitions | <u>1,013,827</u> | <u>1,006,943</u> |
| Total | <u>\$ 7,595,459</u> | <u>\$ 8,837,585</u> |

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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3), as follows:

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Observable inputs other than quoted market prices.
- Level 3 Valuation derived from valuation techniques in which significant inputs are unobservable.

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

| | Total | Fair Value Measurements Using | | |
|-------------------------|---------------------|---|--|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 2017: | | | | |
| Money market accounts | \$ 2,160,255 | \$ 2,160,255 | | |
| Certificates of deposit | <u>1,379,465</u> | | <u>1,379,465</u> | |
| Total | <u>\$ 3,539,720</u> | <u>\$ 2,160,255</u> | <u>\$ 1,379,465</u> | <u>\$ —</u> |
| 2016: | | | | |
| Money market accounts | <u>\$ 1,888,162</u> | <u>\$ 1,888,162</u> | <u>\$ —</u> | <u>\$ —</u> |

3. PATIENT ACCOUNTS RECEIVABLE

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable consist of the following at December 31:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Medicaid | \$ 1,699,343 | \$ 1,441,909 |
| Medicare | 1,091,794 | 980,892 |
| Other third-party payers | 1,820,282 | 1,635,192 |
| Patients | <u>1,672,826</u> | <u>1,663,673</u> |
| Total gross accounts receivable | <u>6,284,245</u> | <u>5,721,666</u> |
| Less allowance for contractual adjustments | 2,571,819 | 1,728,123 |
| Less allowance for bad debts | <u>1,624,840</u> | <u>1,425,877</u> |
| Total allowances | <u>4,196,659</u> | <u>3,154,000</u> |
| Patient accounts receivable, net | <u>\$ 2,087,586</u> | <u>\$ 2,567,666</u> |

4. NET PATIENT SERVICE REVENUE

The District recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided. 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. This provision for bad debts is presented in the statements of revenues, expenses and changes in net position as a component of net patient service revenue.

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

Medicare — The District is designated as a Critical Access Hospital and is reimbursed on a cost basis. The District is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the District and audit thereof by the Medicare fiscal intermediary.

Medicaid — Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge and cost-reimbursement methodologies. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid.

Approximately 67% and 69% of net patient service revenues are from participation in the Medicare and Medicaid programs for the years ended December 31, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. Net patient service revenue increased (decreased) by approximately \$(42,000) and \$252,000 during the years ended December 31, 2017 and 2016, respectively, as the result of prior-

year settlements and the removal of allowances previously estimated that are no longer necessary as a result of financial settlements.

The District has also 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.

The State of Colorado has implemented a provider fee on Medicaid and CICP providers which generates additional federal matching funds. Provider fee revenue and expense were as follows for the years ended December 31:

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Provider fee revenue, included in net patient service revenue | \$ 2,136,632 | \$ 1,821,683 |
| Provider fee expense | <u>568,086</u> | <u>348,896</u> |
| Net excess of revenue over expense | <u>\$ 2,704,718</u> | <u>\$ 2,170,579</u> |

5. CAPITAL ASSETS

Capital assets activity for the years ended December 31 is as follows:

| | Beginning Balance | Additions | Deductions | Transfers | Ending Balance |
|--------------------------------|------------------------------|-----------------------|-------------------|------------------|---------------------------|
| 2017: | | | | | |
| Land | \$ 176,836 | | | | \$ 176,836 |
| Buildings and improvements | 13,648,020 | \$ 6,392 | | \$ 8,225 | 13,662,637 |
| Fixed equipment | 3,200,360 | 18,918 | | | 3,219,278 |
| Major movable equipment | 5,656,341 | 82,556 | | 36,297 | 5,775,194 |
| Construction in progress | <u>279,953</u> | <u>3,330</u> | | <u>(44,522)</u> | <u>238,761</u> |
| | <u>22,961,510</u> | <u>111,196</u> | <u>\$ —</u> | <u>—</u> | <u>23,072,706</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (7,502,799) | (672,090) | | | (8,174,889) |
| Fixed equipment | (2,243,862) | (253,098) | | | (2,496,960) |
| Major movable equipment | <u>(4,489,034)</u> | <u>(442,371)</u> | | | <u>(4,931,405)</u> |
| | <u>(14,235,695)</u> | <u>(1,367,559)</u> | <u>—</u> | <u>—</u> | <u>(15,603,254)</u> |
| Capital assets, net | <u>\$ 8,725,815</u> | <u>\$ (1,256,363)</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 7,469,452</u> |

| | Beginning Balance | Additions | Deductions | Transfers | Ending Balance |
|-----------------------------------|------------------------------|---------------------|-------------------|------------------|---------------------------|
| 2016: | | | | | |
| Land | \$ 176,836 | | | | \$ 176,836 |
| Buildings and improvements | 13,642,285 | \$ 5,735 | | | 13,648,020 |
| Fixed equipment | 3,173,001 | 27,359 | | | 3,200,360 |
| Major movable equipment | 5,102,830 | 592,321 | | \$ (38,810) | 5,656,341 |
| Construction in progress | <u>150,415</u> | <u>129,538</u> | | | <u>279,953</u> |
| | <u>22,245,367</u> | <u>754,953</u> | <u>\$ —</u> | <u>(38,810)</u> | <u>22,961,510</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (6,812,282) | (690,517) | | | (7,502,799) |
| Fixed equipment | (1,986,327) | (257,535) | | | (2,243,862) |
| Major movable equipment | <u>(4,058,376)</u> | <u>(469,468)</u> | | <u>38,810</u> | <u>(4,489,034)</u> |
| | <u>(12,856,985)</u> | <u>(1,417,520)</u> | <u>—</u> | <u>38,810</u> | <u>(14,235,695)</u> |
| Capital assets, net | <u>\$ 9,388,382</u> | <u>\$ (662,567)</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 8,725,815</u> |

Construction in progress at December 31, 2017 and 2016 includes architectural designs to renovate the operating room. Management is evaluating the alternatives and has not committed to a project based on the designs and expected cost or funding is not known at this time.

6. LONG-TERM DEBT

Long-term debt activity for the years ended December 31 is as follows:

| | Beginning Balance | Borrowings | Repayments | Ending Balance | Amounts Due Within One Year |
|---------------------------|------------------------------|-------------------|---------------------|---------------------------|--|
| 2017: | | | | | |
| Bonds payable | \$11,125,000 | | \$ (335,000) | \$10,790,000 | \$ 360,000 |
| Capital lease obligations | <u>705,670</u> | | <u>(188,677)</u> | <u>516,993</u> | <u>198,561</u> |
| Long-term debt | <u>\$11,830,670</u> | <u>\$ —</u> | <u>\$ (523,677)</u> | <u>\$11,306,993</u> | <u>\$ 558,561</u> |
| 2016: | | | | | |
| Bonds payable | \$11,445,000 | | \$ (320,000) | \$11,125,000 | \$ 335,000 |
| Capital lease obligations | <u>398,170</u> | <u>\$ 442,106</u> | <u>(134,606)</u> | <u>705,670</u> | <u>180,510</u> |
| Long-term debt | <u>\$11,843,170</u> | <u>\$ 442,106</u> | <u>\$ (454,606)</u> | <u>\$11,830,670</u> | <u>\$ 515,510</u> |

Health Care Facilities Revenue Bonds Series 2007 — In November 2007, Health Care Facilities Revenue Bonds, Series 2007 (2007 Bonds), were issued in the amount of \$12,810,000 to finance a facility expansion and improvement project. The 2007 Bonds mature in varying installments through January 2034 with interest rates ranging from 6.10% to 6.75%. Bond interest and principal are

deposited with the bond trustee in annual requirements ranging from \$948,527 to \$1,088,388. The bond resolution requires, among other things, the establishment of a Reserve Fund to be held by the issuer for the purpose of paying principal and interest on the bonds when sufficient money are unavailable in the Senior Bond Fund into which the loan repayments are deposited in order to pay the principal and interest on the bonds (see Note 2). The 2007 Bonds are collateralized by net pledged revenues.

Under the terms of the 2007 Bonds, limits are placed on the incurrence of additional borrowings and the District must satisfy certain measures of financial performance as long as the bonds are outstanding.

The provisions of the indenture related to the 2007 Bonds contain covenants pertaining to reporting requirements, current ratio, debt service coverage ratio and maintenance of days cash on hand. For the year ended December 31, 2017, the District did not meet the debt service coverage ratio. Under the terms of the indenture, the District may be required to retain a hospital consultant to make certain recommendations for improving performance of the District.

The debt service requirements of the Series 2007 revenue bonds as of December 31, 2017 are as follows:

| | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2018 | \$ 360,000 | \$ 728,325 | \$ 1,088,325 |
| 2019 | 380,000 | 704,025 | 1,084,025 |
| 2020 | 405,000 | 678,375 | 1,083,375 |
| 2021 | 435,000 | 651,038 | 1,086,038 |
| 2022 | 465,000 | 621,675 | 1,086,675 |
| 2023 – 2027 | 2,840,000 | 2,593,350 | 5,433,350 |
| 2028 – 2032 | 3,935,000 | 1,496,813 | 5,431,813 |
| 2033 – 2034 | <u>1,970,000</u> | <u>201,488</u> | <u>2,171,488</u> |
| Total | <u>\$ 10,790,000</u> | <u>\$ 7,675,089</u> | <u>\$ 18,465,089</u> |

Capital Lease Obligations — The District leases equipment under the terms of capital lease agreements that expire through July 2021. Equipment under these capital lease agreements is recorded at a cost of \$1,056,902 and accumulated depreciation of \$525,484 and \$369,856 at December 31, 2017 and 2016, respectively.

Future minimum lease payments required under capital leases as of December 31, 2017 are as follows:

| | |
|---|-------------------|
| 2018 | \$ 218,928 |
| 2019 | 179,512 |
| 2020 | 97,380 |
| 2021 | <u>56,667</u> |
| Total future lease payments | 552,487 |
| Less amounts representing interest | <u>35,494</u> |
| Present value of minimum lease payments | 516,993 |
| Less current portion | <u>198,561</u> |
| Long-term portion | <u>\$ 318,432</u> |

7. RISK MANAGEMENT AND CONTINGENCIES

Risk Management — The District is exposed to various risks of loss from torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims did not exceed this commercial coverage during 2017 and 2016.

Medical Malpractice — The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Industry Regulations — The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Tax, Spending and Debt Limitations — Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue rising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District is of the opinion that it is compliant with the amendment.

8. DEFINED CONTRIBUTION PLAN

The District participates in the Colorado County Officials and Employees Retirement Association (the Plan), a defined contribution plan, covering all employees hired prior to January 1, 1984 and all employees who work at least 30 hours each week and were hired subsequent to January 1, 1984. Participation in the Plan is mandatory and requires 3% of gross regular wages to be contributed to the Plan by both the employee and the District. In addition, employees may contribute additional amounts to the Plan up to the maximum allowed under the Internal Revenue Code. Employees vest in employer contributions and related earnings over a 5-year period. Benefit provisions are contained in the Plan document and were established and can be amended by the District's Board of Directors and management. Contributions made by the District totaled \$184,908 and \$200,785 during 2017 and 2016, respectively.

9. OPERATING LEASE COMMITMENTS

The District leases equipment under operating leases which expire through 2020. Rental expense on the leases was \$104,442 and \$204,832 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments under the leases are as follows as of December 31, 2017:

| | |
|-------|-------------------|
| 2018 | \$ 105,452 |
| 2019 | 75,466 |
| 2020 | <u>17,510</u> |
| Total | <u>\$ 198,428</u> |

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

Supplemental Information

KIT CARSON COUNTY HEALTH SERVICE DISTRICT

BUDGETED AND ACTUAL REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

| | Actual | Budget | Favorable (Unfavorable) Variance |
|--|-----------------------|-------------------|--|
| OPERATING REVENUES | | | |
| Net patient service revenue | \$ 14,212,105 | \$ 16,381,824 | \$ (2,169,719) |
| Other operating revenue | <u>114,607</u> | <u>34,121</u> | <u>80,486</u> |
| Total operating revenues | <u>14,326,712</u> | <u>16,415,945</u> | <u>(2,089,233)</u> |
| OPERATING EXPENSES | | | |
| Salaries, wages and employee benefits | 8,518,817 | 8,574,515 | 55,698 |
| Other operating expenses | <u>7,941,406</u> | <u>7,753,240</u> | <u>(188,166)</u> |
| Total operating expenses | <u>16,460,223</u> | <u>16,327,755</u> | <u>(132,468)</u> |
| INCOME (LOSS) FROM OPERATIONS | (2,133,511) | 88,190 | (2,221,701) |
| Non-operating income (expense), net (including contributions restricted for capital assets) | <u>(119,329)</u> | <u>(80,440)</u> | <u>(38,889)</u> |
| CHANGE IN NET POSITION | <u>\$ (2,252,840)</u> | <u>\$ 7,750</u> | <u>\$ (2,260,590)</u> |