

**SOUTH ROUTT MEDICAL CENTER  
HEALTH SERVICES DISTRICT**

Financial Statements

December 31, 2016



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*By the Office of the State Auditor at 3:46 pm, Aug 04, 2017*

**SOUTH ROUTH MEDICAL CENTER  
HEALTH SERVICES DISTRICT**

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## Independent Auditor's Report

Board of Directors  
South Routt Medical Center Health Services District  
Routt County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the South Routt Medical Center Health Services District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Routt Medical Center Health Services District as of December 31, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 1, 2016. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information consisting of the schedule of revenues, expenditures and changes in fund balance – budget and actual on page 14 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Steamboat Springs, Colorado  
July 24, 2017

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Statement of Net Position**  
**December 31, 2016**  
(with summarized financial information as of December 31, 2015)

	2016	2015
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 25,677	\$ 99,274
Accounts receivable, net of allowance	19,608	19,260
Due from other government	1,275	1,383
Property taxes receivable	378,239	202,951
Total current assets	424,799	322,868
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,002,161	1,028,344
Total noncurrent assets	1,002,161	1,028,344
Total assets	1,426,960	1,351,212
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	30,471	10,912
Line of credit	60,000	-
Current portion of lease purchase obligation	24,428	23,391
Total current liabilities	114,899	34,303
Noncurrent liabilities:		
Lease purchase obligation, net of current portion	370,643	395,072
Total liabilities	485,542	429,375
<b>Deferred Inflows of Resources:</b>		
Deferred property taxes	378,239	202,951
Advance from grantor	-	3,244
Deferred inflows of resources	378,239	206,195
<b>Net Position:</b>		
Net investment in capital assets	607,090	609,881
Restricted for:		
Emergencies	17,830	17,806
Unrestricted (deficit)	(61,741)	87,955
Total net position	\$ 563,179	\$ 715,642

The accompanying notes are an integral part of these financial statements.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**  
(with summarized financial information for the year ended December 31, 2015)

	2016	2015
<b>Operating Revenues:</b>		
Patient services:		
Medical	\$ 538,591	\$ 438,803
Less: uncollectible accounts	(206,987)	(145,062)
Dental	52,614	143,587
Less: uncollectible accounts	(26,285)	(85,453)
 Patient services, net of uncollectible accounts	 357,933	 351,875
Grants	24,244	-
Other income	15,867	16,649
 Total operating revenues	 398,044	 368,524
<b>Operating Expenses:</b>		
Wages, contract labor and benefits	529,311	490,618
Medical supplies and equipment	50,620	67,099
Professional fees	36,347	34,389
Utilities	16,716	15,521
Cleaning, repairs and maintenance	4,145	9,123
Insurance	12,257	9,856
Office	9,935	8,090
Laboratory fees	31,528	15,886
Depreciation	34,903	34,903
Other	18,454	11,612
 Total operating expenses	 744,216	 697,097
 Income (loss) from operations	 (346,172)	 (328,573)
<b>Non-Operating Revenues (Expenses):</b>		
Taxes:		
Property	202,679	209,657
Specific ownership	14,400	14,981
Treasurer's fees	(6,183)	(6,298)
Interest income	3,456	362
Interest expense	(20,643)	(17,875)
 Net non-operating revenues	 193,709	 200,827
 Change in net position	 (152,463)	 (127,746)
 Net position, beginning of year	 715,642	 843,388
 Net position, end of year	 \$ 563,179	 \$ 715,642

The accompanying notes are an integral part of these financial statements.

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**  
(with summarized financial information for the year ended December 31, 2015)

	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 357,585	\$ 353,098
Cash received from other sources	36,867	16,649
Cash payments to suppliers of goods or services	(166,299)	(163,935)
Cash payments to employees and contract labor	(523,455)	(490,618)
Net cash provided (used) by operating activities	(295,302)	(284,806)
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Taxes received, net of collection fees	211,004	218,364
Proceeds from short-term debt	116,200	-
Principal payments on short-term debt	(56,200)	-
Interest payments on short-term debt	(3,672)	-
Net cash provided by non-capital financing activities	267,332	218,364
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(8,720)	-
Principal payments on long-term debt	(23,392)	(22,486)
Interest payments on long-term debt	(16,971)	(17,875)
Net cash provided (used) by capital financing activities	(49,083)	(40,361)
<b>Cash Flows From Investing Activities:</b>		
Interest received	3,456	362
Net cash provided by investing activities	3,456	362
Net change in cash and cash equivalents	(73,597)	(106,441)
Cash and cash equivalents, beginning of year	99,274	205,715
Cash and cash equivalents, end of year	\$ 25,677	\$ 99,274
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by Activities:</b>		
Income (loss) from operations	\$ (346,172)	\$ (328,573)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	34,903	34,903
(Increase) decrease in:		
Accounts receivable	(348)	1,223
(Decrease) increase in:		
Accounts payable and accrued expenses	19,559	7,641
Advance from grantor	(3,244)	-
Net cash provided (used) by operating activities	\$ (295,302)	\$ (284,806)

The accompanying notes are an integral part of these financial statements.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
(with summarized financial information as of and for the year ended December 31, 2015)

**Note 1: Summary of Significant Accounting Policies**

The South Routt Medical Center Health Services District (the District) was established in May 2006 in Routt County, Colorado as a local government entity under Colorado Revised Statutes (CRS) to provide medical services including general operations and capital improvements in southern Routt County, Colorado. The District operates a medical care facility located in the Town of Oak Creek, Colorado.

The District's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

*Reporting Entity*

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

*Measurement Focus and Basis of Accounting*

The District operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

*Assets, Liabilities, Deferred Inflows of Resources, and Net Position*

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and demand deposits.

Accounts Receivable

The District's accounts receivable consist primarily of charges for patient services provided. The District estimates an allowance for uncollectible accounts based on review of trends in collection percentages and insurance coverage of the patients served.

At December 31, 2016 and 2015, the District's net accounts receivable was as follows:

	2016	2015	
Accounts receivable	\$ 34,408	\$ 34,260	
Allowance for uncollectible accounts	(14,800)	(15,000)	
	\$ 19,608	\$ 19,260	

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
(with summarized financial information as of and for the year ended December 31, 2015)

**Note 1: Summary of Significant Accounting Policies (continued)**

*Assets, Liabilities, Deferred Inflows of Resources, and Net Position (continued)*

Capital Assets

Capital assets include land, building and improvements, and equipment. Capital assets are defined by the District as assets with an initial cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building	40
Building improvements	20
Equipment	5-10

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of unavailable revenues from property taxes to be collected in the subsequent year.

*Operating and Non-Operating Revenues and Expenses*

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

*Property Taxes*

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routh County Treasurer collects property taxes and remits collections to the District on a monthly basis.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Comparative Financial Statements*

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(with summarized financial information as of and for the year ended December 31, 2015)**

**Note 1: Summary of Significant Accounting Policies (continued)**

*New Accounting Pronouncements*

Effective January 1, 2016, the District adopted the provisions of the following GASB Statements:

- GASB Statement No. 72, "*Fair Value Measurement and Application*." The effect of this adoption is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, and enhancing disclosures about fair value measurements.
- GASB Statement No. 77, "*Tax Abatement Disclosures*." The effect of this adoption is to improve disclosure of tax abatement information about (1) the District's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the District's tax revenues. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens.

The District has not entered into any tax abatement agreements nor has any other government that reduces the District's tax revenues.

**Note 2: Stewardship, Compliance and Accountability**

*Budgetary Information*

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental budget appropriations for the year ended December 31, 2016.

*Compliance*

The District's expenditures did not exceed appropriations for the year ended December 31, 2016.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(with summarized financial information as of and for the year ended December 31, 2015)**

**Note 2: Stewardship, Compliance and Accountability (continued)**

*TABOR Amendment*

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$17,830 of the December 31, 2016 fund balance for this purpose.

The District's voters passed a ballot issue in May 2006 upon formation of the District, permitting the District to collect, retain and expend all revenues collected in 2007 and each year thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

**Note 3: Detailed Notes on the Fund**

*Deposits*

The carrying amount of the District's deposits at December 31, 2016 and 2015 was \$25,677 and \$99,274, respectively, and bank balances were \$100,981 and \$100,981, respectively. All of the bank balances at December 31, 2016 and 2015 were covered by federal deposit insurance.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the aggregate uninsured deposits.

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
(with summarized financial information as of and for the year ended December 31, 2015)

**Note 3: Detailed Notes on the Fund (continued)**

*Capital Assets*

Capital asset activity for the year ended December 31, 2016 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Other capital assets:				
Building	939,599	-	-	939,599
Building improvements	77,719	-	-	77,719
Equipment	75,844	8,720	-	84,564
Total other capital assets at cost	1,093,162	8,720	-	1,101,882
Less accumulated depreciation for:				
Building	(59,779)	(23,490)	-	(83,269)
Building improvements	(27,292)	(3,886)	-	(31,178)
Equipment	(31,747)	(7,527)	-	(39,274)
Total accumulated depreciation	(118,818)	(34,903)	-	(153,721)
Other capital assets, net	974,344	(26,183)	-	948,161
Business-type activities capital assets, net	<u>\$ 1,028,344</u>	<u>\$ (26,183)</u>	<u>\$ -</u>	<u>\$ 1,002,161</u>

Capital asset activity for the year ended December 31, 2015 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Other capital assets:				
Building	939,599	-	-	939,599
Building improvements	77,719	-	-	77,719
Equipment	75,844	-	-	75,844
Total other capital assets at cost	1,093,162	-	-	1,093,162
Less accumulated depreciation for:				
Building	(36,289)	(23,490)	-	(59,779)
Building improvements	(23,406)	(3,886)	-	(27,292)
Equipment	(24,220)	(7,527)	-	(31,747)
Total accumulated depreciation	(83,915)	(34,903)	-	(118,818)
Other capital assets, net	1,009,247	(34,903)	-	974,344
Business-type activities capital assets, net	<u>\$ 1,063,247</u>	<u>\$ (34,903)</u>	<u>\$ -</u>	<u>\$ 1,028,344</u>

**SOUTH ROUNT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
(with summarized financial information as of and for the year ended December 31, 2015)

**Note 3: Detailed Notes on the Fund (continued)**

*Short-Term Debt*

The District entered into the following short-term debt agreements during the year ended December 31, 2016:

Routt County, Colorado (the County) Promissory Note

The District entered into a \$56,200 promissory note with the County dated July 21, 2016 to cover delinquent property tax revenues owed by Peabody Energy Corporation, Inc. Interest was payable at 1% per month on the outstanding principal balance. The note was paid in full on December 31, 2016 including accumulated interest expense of \$3,672.

Glacier Bank Line of Credit

The District entered into a \$100,000 line of credit agreement with Glacier Bank dated December 30, 2016. The line of credit requires \$50,000 principal payment on June 15, 2017 with any remaining balance due July 15, 2018. Interest is payable monthly on the outstanding principal balance at prime rate plus 0.75. The line of credit is secured by a deed of trust on the District's property and a commercial security agreement on the District's assets.

Short-term debt activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Glacier Bank line of credit	\$ -	\$ 60,000	\$ -	\$ 60,000
Routt County, Colorado	-	56,200	(56,200)	-
	<u>\$ -</u>	<u>\$ 116,200</u>	<u>\$ (56,200)</u>	<u>\$ 60,000</u>

*Long-Term Liabilities*

The District had the following long-term debt during the year ended December 31, 2016:

First National Bank of the Rockies (FNBR) Lease Purchase Agreement

The District entered into a \$450,000 lease purchase agreement with FNBR dated July 1, 2014 whereby the District conveyed its ownership of its medical facility and improvements to FNBR and agreed to lease the property from FNBR subject to annual appropriation of rental amount by the District. Proceeds of the lease were used as follows: \$200,872 to pay the outstanding principal and interest of an existing line of credit agreement, \$9,421 for lease issuance costs, and the remaining \$239,707 to finance capital project costs. The lease requires monthly payments of \$3,363 including interest at 4.15% beginning August 1, 2014 through maturity on June 1, 2029.

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Lease purchase obligation	\$ 418,463	\$ -	\$ (23,392)	\$ 395,071	\$ 24,428
	<u>\$ 418,463</u>	<u>\$ -</u>	<u>\$ (23,392)</u>	<u>\$ 395,071</u>	<u>\$ 24,428</u>

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
(with summarized financial information as of and for the year ended December 31, 2015)

**Note 3: Detailed Notes on the Fund (continued)**

*Long-Term Liabilities (continued)*

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Lease purchase obligation	\$ 440,949	\$ -	\$ (22,486)	\$ 418,463	\$ 23,391
	<u>\$ 440,949</u>	<u>\$ -</u>	<u>\$ (22,486)</u>	<u>\$ 418,463</u>	<u>\$ 23,391</u>

Interest expense on the lease purchase obligation during the years ended December 31, 2016 and 2015 was \$16,971 and \$17,875, respectively.

Debt service requirements of the lease purchase obligation at December 31, 2016, assuming future annual appropriation of lease purchase payments, is as follows:

	Principal	Interest	Total
2017	\$ 24,428	\$ 15,934	\$ 40,362
2018	25,462	14,900	40,362
2019	26,539	13,823	40,362
2020	27,624	12,738	40,362
2021	28,830	11,532	40,362
2022-2026	163,480	38,328	201,808
2027-2029	98,708	5,560	104,268
Total	<u>\$ 395,071</u>	<u>\$ 112,815</u>	<u>\$ 507,886</u>

**Note 4: Other Information**

*Risk Management*

The District is exposed to various risks of loss related to torts; thefts of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance for these risks of loss, including workers compensation. Settle claims have not exceeded the District's insurance coverage in the past three years.

*Mill Levy Increase*

In November 2016 the District's voters approved an increase in the District's taxes up to \$185,285 for tax year 2016 to be collected January 1, 2017 and to collect and retain taxes to be assessed annually thereafter by an additional 2.000 mills resulting in a total mill levy of 4.095 mills to provide medical services including general operations and capital improvements. The District's voters also authorized the District to collect, retain, and spend all additional tax revenues and the earnings from investment of such revenues without exception.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(with summarized financial information as of and for the year ended December 31, 2015)**

**Note 4: Other Information (continued)**

*Contingency*

In 2013, the District entered into a grant agreement with the State of Colorado (State) to construct a new structure over the existing medical facility for the purpose of preserving the building and to provide a structural framework for current and future building expansion. Terms of a grant agreement include the requirement for the expanded facility to operate as a medical center for a period of ten years after completion. If the District changes the use of the property to a use that the State determines does not qualify in meeting the original intent of the project, the District must reimburse the State for the current fair market value of the property, less any portion of the value attributable to expenditures of non Energy Impact funds for acquisition of and improvements to, the property. This use restriction on the property expires after ten years from completion of the project.

*Subsequent Events*

The District has evaluated subsequent events through July 24, 2017, the date these financial statements were available to be issued.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Patient services:			
Medical	\$ 469,495	\$ 538,591	\$ 69,096
Less: uncollectible accounts	(54,900)	(206,987)	(152,087)
Dental	205,940	52,614	(153,326)
Less: uncollectible accounts	-	(26,285)	(26,285)
Taxes:			
Property	202,951	202,679	(272)
Specific ownership	15,189	14,400	(789)
Grants	-	24,244	24,244
Rent	16,007	15,540	(467)
Interest	300	3,456	3,156
Other	520	327	(193)
<b>Total revenues</b>	<b>855,502</b>	<b>618,579</b>	<b>(236,923)</b>
<b>Expenditures:</b>			
Wages, contract labor and benefits	573,360	529,311	44,049
Supplies and equipment	92,659	50,620	42,039
Professional fees	34,750	36,347	(1,597)
Utilities	16,116	16,716	(600)
Cleaning, repairs and maintenance	9,950	4,145	5,805
Treasurer's fees	7,000	6,183	817
Insurance	8,800	12,257	(3,457)
Office	20,600	9,935	10,665
Laboratory	18,300	31,528	(13,228)
Other	1,500	18,454	(16,954)
Capital	24,000	8,720	15,280
Debt service:			
Principal	23,392	23,392	-
Interest	16,964	20,643	(3,679)
<b>Total expenditures</b>	<b>847,391</b>	<b>768,251</b>	<b>79,140</b>
Change in fund balance - non-US GAAP basis	8,111	(149,672)	<u>\$ (157,783)</u>
Adjustments to US GAAP basis:			
Loan principal payments		23,392	
Depreciation		(34,903)	
Change in fund balance - US GAAP basis		(161,183)	
Fund balance, beginning of year	715,642	715,642	
Fund balance, end of year	<u>\$ 723,753</u>	<u>\$ 554,459</u>	